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**STRATEGY FORMATION AT
MALAYSIAN PRIVATE HIGHER
EDUCATION INSTITUTIONS:
INTERACTION BETWEEN DELIBERATE
VERSUS EMERGENT APPROACH**

WEE CHUN YEE

A thesis submitted in
partial fulfilment of the
requirements for the
degree of Doctor of
Business Administration

Northumbria University

June 2012

Abstract

There is a large body of literature on what strategies are, and how they are formed in organisations. Building upon the two traditional approaches of deliberate and emergent strategy, recent studies have suggested that strategy formation should seek to integrate various processes, especially in different contexts. In the area of strategy formation in the higher education sector, however, it remains the case that some strategic researchers advocate more deliberate planning while others favour emergent strategy formation.

Literature on strategy formation is in large part theoretical rather than empirical, especially in the private higher education sector. To fill the gap, the purpose of this study is to identify how strategy formation takes place in Malaysian Private Higher Education Institutions (HEIs). The main objectives of this research are to examine the key reasons behind typical strategy formation activities, and whether HEI leaders in Malaysia believe that the actions taken are effective in achieving their strategic objectives.

This study takes a unique research approach to investigating strategy formation processes. Informed by *subtle realism* ontology and social constructionism epistemology, symbolic interactionism is employed to inform the research's theoretical perspective. Consistent with this research philosophy, ethnography is employed in this study. To ensure the high quality of this research, reflexivity is also used as an important methodology to evaluate the whole research process. A total of eight in-depth interviews were conducted amongst Malaysian Private HEI leaders, all of them key strategic decision makers and who have been involved in strategy formation at their institutions.

The findings of this study suggest that strategy formation in the HEI industry in Malaysia is more emergent than deliberate, reflecting the dynamic environment and unique features of Malaysian HEIs. Some important patterns, including *logical incrementalism*, the *political /generative process* and *cultural/symbolic process*, were discovered in relation to *emergent strategy formation* processes. These emergent approaches were however not employed entirely independently, but were combined with externally imposed deliberate strategy processes. This study further explores why this is the case, and identifies the key reasons why certain strategy processes have had to be adapted in the Malaysian Private Higher Education sector. These are to be found mainly in the external environment, namely uncertainty, scarcity of information, and the significant influence of the MOHE (Malaysian Ministry of Higher Education). In addition, the study identifies three moderating factors in relation to the choice of strategy formation process: multi-divisional versus simple/small institutions; main versus subsidiary level campuses; and collective versus high power distance and high uncertainty avoidance cultures in HEI organisations.

This research has been designed with the intention of bringing new insights to strategy formation in different contexts. Its conclusions make substantial contributions from both theoretical and practical perspectives. Theoretically, the study extends the mainstream of strategy formation literature into the context of private higher education in an Asian context (in this case Malaysia). For practitioners, the findings confirm that strategic decision makers face no easy task. Strategy formation is a complex process, and is highly dependent on the given context. Practitioners may use multiple strategy formation processes, balancing more emergent and deliberate thought. The findings also signal the importance of understanding the rich reality of strategy formation, which requires practitioners to have an open mind.

Declaration

I acknowledge that the work presented in this thesis has not been submitted for any other award, except that entailed by research training purposes during my DBA studies at Newcastle Business School of Northumbria University of Newcastle. I have completed the required research training and milestones required for the degree. The work is the result of my individual work.

Name: **WEE CHUN YEE**

Signature: _____

Date: **26 June 2012**

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Glossary

Chaos (organizational leadership type). A type of organizational leadership style which believes in authority given to the employees to do things differently, weigh situations, solve problems, and take initiatives.

Contingency planning approach. A *strategic planning system* that is more flexible and involves frequent reviews in order to face increasing volatile environments.

Control (organisational leadership type). A type of organizational leadership style which believes managers and leaders have the ability to shape their own future and that of their firm.

Constructionism/Constructivism. An epistemological position with the view that all knowledge, therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context. (Crotty, 2003)

Critical Realism. A theoretical perspective informed by the realist ontology. It is critical as researchers aim to identify structures in order to change them, so that inequalities and injustices may be counteracted.

Cultural processes of strategy. A strategy development process that occurs as the outcome of the taken-for-granted assumptions and behaviours in organisations.

Deliberate strategy formation. A strategy process where the realized strategy is as intended.

Dialectical inquiry/approach. A research method which attempts to solve a problem by using elements from two opposite points of view.

Emergent strategy formation. A category of strategy development process which equates to incremental decisions and evolving directions over time (Johnson, Scholes, and Whittington, 2008).

Ethnography. A research methodology in which the researcher immerses himself/herself in a social setting for an extended period of time. It does not refer exclusively to the participant observation method, but also includes actually interacting in the social setting.

Externally imposed strategy. A strategic development process in which strategy development is imposed – or is perceived by managers as being imposed – by a powerful external stakeholder.

Financial control style. A corporate management style signifying high levels of autonomy given to the strategic business units. Control is exerted by negotiating, setting and monitoring financial objectives.

Generative planning. A dimension of planning, defined by Brews and Purohit (2007), in which the planning process encourages innovation and internal process innovation.

HEI. Higher Education Institute.

Hermeneutics. A theoretical perspective drawn from theology which is concerned with the theory and method of human interpretation of human action. It emphasises the need to understand from the perspective of the social actors. (Bryman, 2008)

Intended Strategy Development. A category of the strategic development process that covers strategic leadership, *strategic planning systems*, and *externally imposed strategy*. (Johnson, Scholes, and Whittington, 2008)

Interpretivism. A theoretical perspective contradicting positivism. It attempts to understand rather than explain human and social reality.

Learning school. A school of thought in strategy making that promotes bounded rationality and the role of power, internal politics and change in strategy decision making. (McKiernan, 1997)

Logical incrementalism. Developed by Quinn (1978), it uses logic to proactively manage the “process” of strategy formation, which should be incremental in nature. The “content” of the strategy is not dictated by “formal logic” but “emerges” from the process.

Mechanistic organisation structure. An organisation structure that is characterised by elements such as centralized decision-making, strict adherence to formally prescribed rules and procedures, tight control of information flows, and carefully constructed reporting and workflow relationships. (Slevin and Covin, 1997)

MOHE. Ministry of Higher Education (Malaysia)

MQA. Malaysia Qualification Agency

Planning and Practice school. A strategy making school of thought that emphasises a mechanical and prescriptive method of strategy decision making.

Phenomenology. A theoretical perspective representing *interpretivism*, which is concerned with how individuals make sense of the world (see *social constructivism*). It emphasises methods to bracket out pre-conceptions.

Political View. Strategy development as the outcome of processes of bargaining and negotiation among powerful internal or external interest groups. (Johnson, Scholes, and Whittington, 2008)

Resource Allocation Process (RAP). A strategy development process in which strategy emerges from the way resources are allocated.

Rational planning. A dimension of the planning process, defined by Brews and Purohit (2007), which is a formal planning system starting from high-level strategic goals through to the budget.

Reflexivity. A research methodology which refers to reflectiveness among social researchers about the implications, for the knowledge of the social world they generate, of their methods, values, decisions, and mere presence in the very situation. (Bryman, 2008)

Social Constructionism. A constructionism epistemology position where meaning is understood and generated collectively.

Social Constructivism. A constructionism epistemology position where meaning is understood and generated individually.

SWOT. Strengths, Weaknesses, Opportunities, and Treats.

Strategy development process. See **strategy formation**.

Strategy formation. Sometimes called *strategy development process*. It includes strategy formulation and action taken. It is a process of strategy making and how it is put into action to become *realised strategy*.

Strategic leadership. A strategy development process that is associated with a strategic leader or a group of leaders, typically found in a small firm where the leader is the owner or founder.

Strategic planning. A strategic development process that is equated with a formal, analytical, systematised, step-by-step, chronological procedure to develop or coordinate an organisation's strategy.

Strategic thinking. A process of strategic making that utilises creativity, and intuition.

Subtle realism. An ontological position that accepts elements from both relativism and realism. (Hammerley, 1992)

Symbolic Interactionism. A theoretical perspective that views social interactions as taking place in terms of the meanings actors attach to action and things. (Bryman, 2008)

Symbolic planning. A dimension of the planning process, defined by Brews and Purohit (2007), that articulates the overall mission, vision or strategic intent of the firm.

Template analysis. A qualitative research method where the researcher produces a list of codes, called templates, representing the themes identified. The template is constructed from several revisions, modifications, and additions as the text is read.

Transactive planning. A dimension of the planning process, defined by Brew and Purohit (2007), which represents the degree to which plans are formed iteratively on an ongoing basis, based on continual adaptation and feedback.

Chapter One Introduction

Strategic management as a topic area among Higher Education Institutes (HEIs) worldwide has been gaining more prominence in the past decade. As public universities grapple with decreasing public funding, HEIs had been more pro-market (Leslie and Fretwell, 1996). Strategic management is becoming more prominent as these HEIs are increasingly being run like a corporation rather than a public institution (Coulter, 2002). For private HEIs in Malaysia, of which most are profit driven, the applications of strategic management theories and tools are becoming more dominant and profound.

This research will link gaps between studies in strategic management and the management of HEIs. Studying these areas in the Malaysian context will also further develop the understanding of strategic management and of the HEI sector in the country. Findings from this research will be highly relevant to HEI leaders worldwide, policy makers, and education business leaders.

The research is qualitative in nature, and employs *reflexivity*, reflecting the personal experiences of the researcher. The philosophy, methodology, methods and approaches in this research have rarely been used in Malaysian research. Therefore, this research may contribute to developing research philosophy and approaches in Malaysia and the region.

Throughout this thesis, the researcher will refer to himself as 'I' and 'my', as *reflexivity* and personal reflection are an integral part of the methodology. This will allow me to refer to my own experience, opinions, and constructions more neatly and succinctly.

1.1 Motivation and Impact on Professional Practice

The case for improving private higher education in Malaysia is vital as public institutions were unable to meet demand. Private HEIs fill the gap, which is proven by the significant percentage of students attending private institutions. Considerable research has been done on policy making and customer satisfaction perspectives in Malaysia, while very little is known about strategy making. *Strategy formation* – which is what this research will focus on – makes a very important contribution to how well these HEIs are managed.

My motivation in researching this topic, apart from doing a thesis for my Doctor of Business Administration at Northumbria University, is that it benefits my own professional knowledge in leading a Malaysian Private HEI. I was formerly Chief Executive of a Malaysian Private HEI for 6 years from 2003 to 2009. Since leaving this position, I have been leading a Private HEI I founded two years ago. Therefore, this research will assist me to manage my institution better while also raising the level of understanding of the industry.

The additional motivation for this study is its contextual uniqueness. There have not been many studies on strategy formation in Malaysia, even less so on Malaysian Private Higher Education Institutions. This study will contribute to knowledge for both management researchers and management practitioners in Malaysia. As the Private HEI sector is a contributor to nation building in terms of teaching and developing productive, skilful and knowledgeable workers, this study can contribute through better management practices to both the country's Private HEI sector and other sectors of the economy. As a member and former partner of the Malaysian Institute of Management (MIM), and given my own professional engagement in the community, I hope that the knowledge gained will help develop advanced management practices through regular seminars, workshops and consultations.

Foreign universities, notably from the United Kingdom, Australia, the United States, Canada and New Zealand, have a significant presence in Malaysia. This presence varies from parent university operated branch campuses to partnerships with Malaysian Private HEIs on franchise programmes and transfer arrangements. This study will help university administrations that have a presence in Malaysia to understand the sector better and how strategies in these Private HEI are formed.

Hart and Banbury (1993), in their empirical research, show that *strategy formation* process capabilities (the authors called it strategy-making process) are significant predictors of a company's performance. The authors further claim that a firm that accumulates and engages in multiple modes of the *strategy formation* process outperforms organizations that do not. These findings not only brought out the importance of the *strategy formation* process for me, but also prompted me to consider what *strategy formation* process capabilities an organization should accumulate. Accordingly, this study will suggest what strategy making processes an organization should accumulate (learn) and implement in order to gain competitive advantage, specifically in the context of Malaysia and Private Higher Education.

As a lecturer teaching strategy courses, which include 'Analysis and Decision' in the Chartered Institute of Marketing (Post Graduate Diploma) programme and 'Enterprise Strategy' in the Chartered Institute of Management Accountant programme, this research will also deepen my understanding and knowledge of the topic in order to help me deliver more effectively.

Another contribution is to research approaches and methodologies applied to Malaysian publications. The research philosophy, methodologies and methods in this research will contribute to the development of social science research philosophy in the country. Management research in Malaysia has been dominantly quantitative in nature, with the use of surveys very common in practice. There are also often many misconceptions about qualitative research among Malaysian social sciences researchers (Daniel and Yusoff, 2005). For this study, I have aimed to apply qualitative methods informed by non-objectivist and non-positivist epistemology and theoretical perspectives. This study will contribute to the development of this type of research philosophy, methodology and methods in the country.

Lastly, Malaysian public HEIs have been receiving more autonomy in running their institutions since the policy of corporatisation in 1997. This suggests that public universities may slowly embrace the "neo-liberal" strategies of the West in managing public institutions (Sirat, 2010). Therefore, this research on strategic management will be relevant to leaders and managers of both public and private HEIs in Malaysia. Leaders of western HEIs may also find this research beneficial as they face reform. For example, the UK Education Reform Act 1988 has not only changed the funding structure for "new" universities in the UK,

but also seeks external sources of funds (Conway, Mackay, and Yorke, 1994). The Malaysian Private Higher Education industry does not receive funding from the government and therefore competes in a more market-oriented environment. The findings of how strategy is formulated and put into action can be valuable benchmarks for Higher Education Institutions in countries where higher education is reforming.

1.2 Background to the Research Problem

Pettigrew (1985a) introduced the contextualist approach to the study of *strategy formation*. The author tried to explain the different outcomes of strategic change initiatives in an organisation. Contextualism sees the world as a collection of events in their unique setting, in which one *strategy formation* approach does not fit every organisation or industry (Sminia, 2009). In line with this, this author advocates strategy formation research in different contexts.

McKiernan (1997, p.791), having reviewed 30 years of strategy literature, discovered a pattern to the studies:

“The picture painted had a distinct North American hue, even among a sample with a predominance of European authors. Clearly, important inputs to the subject’s development have enjoyed that heritage. But it would be erroneous to accept, unquestioningly, that any single geographic source has monopolized the development of the subject.”

There is a significant contextual element to the research questions and objectives. The industry being studied (Private Higher Education) in the country (Malaysia) is a very unique context for strategic management, not to mention *strategy formation* specifically. There are no specific studies reviewed that specifically address *strategy formation* in this unique context. Therefore, researching in this unique context should result in increase understanding of strategy formation.

Hardy, Langley, Mintzberg and Rose (1983) described the unique decision-making structure in Higher Education Institutions in terms of three modes. Firstly, professors have good control over how they teach and what they research on. Their main constraint is not the university administrator or head, but rather their colleagues and peers – based on training in their field, peer-reviewed research and the adoption of teaching methods and materials highly regarded by their colleagues. The authors call this ‘the pigeonhole’ structure and process. Secondly, central administrators deal with decision making on financial decisions, property and fundraising. Lastly, there are decisions that are made collectively by academic professionals and central administrators, which include decisions on the definition, creation and closing of ‘pigeonholes’, support services such as libraries, laboratories and computers, and the hiring and promotion of professionals (academic staff). These decision-making

processes are carried out collectively, mainly through committees comprised of both academic professionals and central administrators in an interactive process. They are heavily influenced by collegial and political elements.

My experience and networks in the Malaysian Private Higher Education sector, combined with my previous experience at the Boston Consulting Group and General Electric (USA), put me in a unique position to perform this study. With these cross-continental experiences, I may be able to synthesise and bridge across to theories and practices in the western world so that these can be practiced more effectively in Malaysia. Being a practicing business leader with various experiences in Malaysian and American firms including Higher Education, I am also in a unique position to bridge the gap between academia and professional practice.

1.3 Research Questions and Objectives

Sminia (2009, p. 100) postulated that research in *strategy formation* has 'to address the questions of both how an outcome is realized, as well as why it was this particular outcome that has been realized.' The author describes the 'how' question basically as a matter of establishing the course of the process.' This takes a process research perspective, which involves the construction of events and linking them to the theory developed. The 'why' question is about establishing what has led to what, about putting some form of causality into the course of events.

The aims of this research are:

1. To evaluate leaders' experience of strategic formation in Malaysia Higher Education.
2. To explain the reasons affecting the choice between emergent and intended strategy.
3. To contribute to the understanding of the strategic formation process adopted by Malaysian HE leaders.

'The main research question for this research is 'How *strategy formation* takes place at Malaysian Private HEIs?' To answer this research question, the following research sub-questions and objectives have been developed.

1. How are strategies formed in the Malaysian Private HEI industry?
2. How do the approaches employed in the *strategy formation* fit in the deliberate and emergent continuum?
3. Why are these actions taken? Key reasons behind either deliberate versus emergent actions.
4. From the industry leaders' perspectives, are these actions effective in meeting their strategic objectives?

Sub-question 1 was set to understand the processes that took place in the context. Sub-question 2 was set to place the processes identified in sub-question 1 into a perspective in which the theory and literature could be referred to. From the literature reviewed, I identified 3 deliberate processes and 4 emergent processes.

Sub-question 3, with the 'why' elements, was designed to further understanding of the main research question (how) and not to prove causality. Sub-question 4 was set to further

reaffirm the processes found in sub-question 1 and sub-question 3. Processes put in place may not necessarily be 'effective' even though they were applied in the industry.

The research questions above are geared towards the research objectives below:

1. To discover whether the strategy formulation approaches adopted by leaders in the Malaysian Private HE industry were emergent or deliberate.
2. To explain the reasons for the choice between emergent and deliberate strategies on basis of Malaysian HE leaders' experience.
3. To identify the actions actually adopted by Malaysian HE leaders when employing either emergent or deliberate strategies
4. To assess whether these strategic formation approaches, emergent or deliberate, are effective in achieving the formulated strategies

1.4 Sections in This Dissertation

This study is divided into six chapters. The introduction chapter explained how the background to the research problem was identified. Research objectives and sub-questions were also developed and reported in this chapter. In this section, I will provide an overview of the structure of each chapter and of the overall structure of this dissertation.

In Chapter 2, I report on the literature reviewed that relates to the topic areas. This section is divided into five major sections containing literature related to: deliberate versus emergent, *deliberate strategy formation*, *emergent strategy formation*, strategic management in Higher Education, and strategic management in Malaysia respectively. These different literature sources are critically reviewed and discussed. The section reviews the development of theories of strategy formation, and also the application of these theories in different contexts worldwide. This serves to increase my theoretical foundations before performing the research data collection and analysis.

After building up the theoretical foundation upon which this study was based, the following chapter (Chapter 3) covers Research Philosophy, Methodology and Methods. The purpose of this chapter is to justify and describe the research philosophy, methodologies and methods employed in the research. It firstly describes the factors that influence the research philosophy, methodology, and methods chosen. In the subsequent sections of the chapter, I report on the ontological stance, epistemological stance, theoretical perspectives, methodology and methods employed for the dissertation. To wrap up this chapter, an evaluation of the qualitative research *reflexivity* is also discussed.

Chapter 4 is titled Industry Overview. It describes and reviews the background and context the research is set in. It details and reports on the Malaysian Private Higher Education Institutions' industry background, stakeholder's analysis, and external environment.

Building on the literature reviewed, research approach taken in the context described in Chapter 4. The "Findings and Discussion" (Chapter 5) will report on the findings of several *strategy formation* processes constructed from interviews. Each processes will also report analysis performed to take literature reviewed (Chapter 2), industry overview (Chapter 4),

and personal reflection. The latter part of the chapter will synthesis and discuss constructed findings and patterns related to each research question.

Chapter 6 summarises the 'Conclusions' drawn from the findings and analysis chapter by discussing each research sub-question. In addition, the practical and theoretical contributions are explored. Additionally, contribution to personal and professional development of this DBA thesis will be discussed. Lastly, future research and personal reflection are discussed.

Chapter Two Literature Review

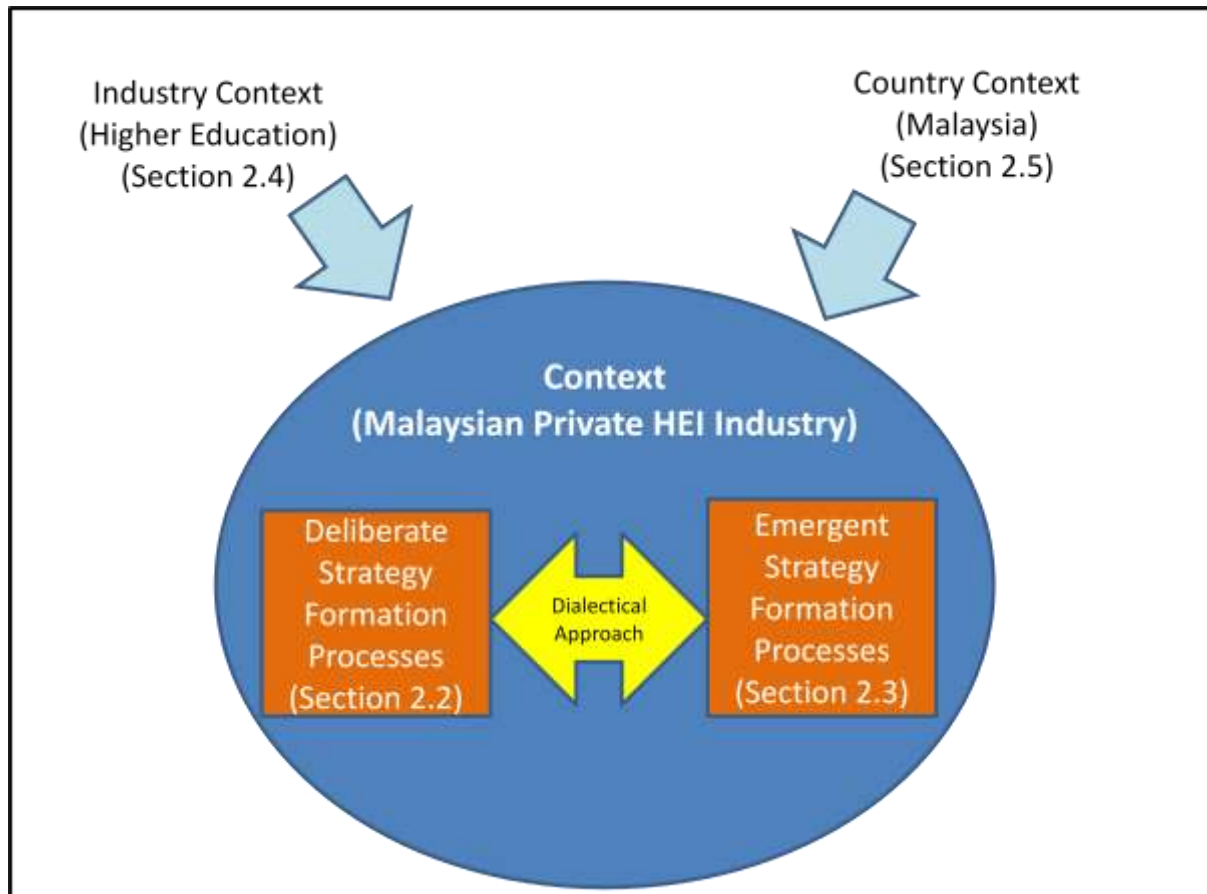
The literature review for this thesis is divided into five sections. Each links to the others to form the theoretical framework that informs the research. The objectives of the research include how *strategy formation* is practiced in the industry, the reasons behind these strategy actions, and whether HEI leaders believe the actions taken were effective in achieving their strategic objectives. In this chapter, before moving into the literature review, a consistent understanding of terminology in strategy is a prerequisite. This will reduce confusion over the wide range of terminologies used in literature. These terms are often used arbitrarily in strategy text, and concepts may overlap with each other. Therefore, I will detail key strategic management definitions, phrases, and concepts. The first section also introduces the definition of *strategy formation* and the debate of “deliberate” versus “emergent”. There are many perspectives and concepts that relate to this debate or paradox, which are explained in Sections 2.1.4. The review of these various perspectives is, firstly, to allow a deeper understanding of various elements of the paradox, and secondly, to allow the reader and researcher to understand the paradox from multiple perspectives. I have taken a narrative approach to this review, where the process is a means of gaining an initial impression of the strategy formation (Bryman, 2008).

The immediately following section is a critical review of literature on concepts relating to “*deliberate strategy formation*” (Section 2.2) followed by “*emergent strategy formation*” (section 2.3). A critical review means a critical appraisal of the literature, while linking and discovering new perspectives. I review and discuss each of these perspectives, critically assessing the development, empirical evidence of its effectiveness, and criticisms, and provide an overview of the contexts that these perspectives may fit in. Given that the objective includes the Private HEI leaders’ perception as to whether the strategies employed were effective, literature linking different *strategy formation* approaches and different contexts to company performance is reviewed and discussed. Company performance in these studies is mostly linked to increased revenue growth, profitability or stock price.

Lastly, the chapter will conclude with the application of *strategy formation* in the specific contexts of the industry (Higher Education) (Section 2.4) and country (Malaysia) (Section

2.5). The literature review on the “application” in these specific contexts is important. Below (Figure 2.1) is a framework of how this literature review was approached.

Figure 2.1 Literature Review Framework



2.1 Strategy Formation: Deliberate versus Emergent

One of my research objectives in this study is to identify how strategy formation processes have been applied to Malaysian Private HEIs. *Strategy formation* according to Mintzberg (1994c) and De Wit & Meyer (2004) encompasses both strategy formulation and strategy action. Strategy action by definition is also different from strategy implementation. Strategy action refers to the action taken after the strategy is formulated. In contrast, strategy implementation deals with how to implement strategy actions that have been decided.

2.1.1 Strategy Formation

The definition of *strategy formation* and how it is different from “strategy formulation” is described by De Wit and Meyer (2004). Before explaining the differences, there are two other definitions, namely “intended strategy” and “realised strategy”. Johnson, Scholes and Whittington (2008) explain that “intended strategy” is a desired strategy planned or formulated. “Realised strategy” is what has happened or put into action. *Strategy formation* includes strategy formulation and action taken. Strategy formulated may or may not be realised as intended, what is put into action may not be what was formulated (Mintzberg and Waters, 1985). ‘Action taken’ does not mean strategy execution or strategy implementation programmes, but rather whether actions are taken to follow the formulated *intended strategy*.

In contrast, strategy implementation deals with how to implement strategy. Strategy action decisions/processes precede strategy implementation. Strategy implementation topics such as structuring an organisation, resourcing strategies, and change management will not be discussed in this thesis (Johnson, Scholes, and Whittington, 2008).

Strategy formation processes have been defined in many ways. De Wit & Meyer (2004) separate these processes into: identifying (mission setting and agenda setting), diagnosing (external assessment and internal assessment), conceiving (option generation and option selection), and realising (taking action and performance control). Johnson, Scholes, and Whittington (2008) use the term *strategy development process* in place of the *strategy formation* known to De Wit and Meyer (2004) and Mintzberg (1994c). These authors separate the *strategy development process* into two broad categories. The first category is *intended strategy development*. Johnson, Scholes and Whittington’s (2008) second category

of *strategy development process* is called *emergent strategy development*, which equates to incremental decisions and evolving directions over time.

Johnson, Scholes and Whittington (2008) do not view the different approaches to *intended strategy development* and *emergent strategy development* as mutually exclusive; rather it is likely that multiple processes could work within one organisation. This concept of a multiple strategy development process was empirically proven to be more effective by Hart and Banbury (1994). Johnson, Scholes and Whittington (2008) believe that an *emergent strategy development* process should be consistent with the overall strategy that was already deliberately planned. It may also mean that, while the overall company strategy and directions are an intentional process, the actions over time can be emergent. The authors also believe that strategy development is likely to differ over time and in different contexts. For example, different industries may use different processes – which is why there is a strong contextual element to this research. Lastly, the authors believe perceptions of how strategies develop will be seen differently by different people. For example, senior executives tend to see strategy development as more intended versus emergent. Collier, Fishwick and Johnson (2001) explain that managers in public sector organisations tend to see strategy as externally imposed more than managers in commercial businesses.

In this section, the researcher has described the definition of *strategy formation* that will be used throughout this research. The division of *strategy formation* into *intended strategy development* and *emergent strategy development* has been introduced. Up to this point, this division has remained descriptive as to what *strategy formation* on each side of the divide represents, in which context each can be applied, and perceptions of which strategy development approach is being employed. Next in Section 2.1.2, I will explore the divide, as a strategic tension and a paradox.

2.1.2 Deliberate and emergent

We now explore the *strategy formation* process from two opposing poles, deliberate and emergent. Mintzberg and Waters (1985) were among the first to explicitly focus on *strategy formation* as a strategic tension of “*deliberate*” and “*emergent*”. As shown in Figure 2.2, the authors distinguish between ‘deliberate’ strategies, which are realised as intended, and ‘emergent’ strategies, which are realised despite, or in the absence of, intentions. When Action taken (realised strategy) sometimes differ with what was formulated (intended

strategy), it is called 'unrealised strategy'. The authors' view is that deliberate and emergent strategies may be conceived as two ends of a continuum along which real-world strategy lies.

Figure 2.2 Deliberate and Emergent Strategy



Source: Mintzberg and Waters (1985)

Neither of these two ends of a continuum described by the authors match perfectly conditions that can be applied in reality, but together they provide a sound understanding of these opposing concepts. For a strategy to be perfectly deliberate, the actions taken are as intended. The authors explain that at least three conditions would seem to have to be satisfied. First, there must precise intentions and detailed plans. Secondly, the actors in an organisation collectively have/share only one common organisational intention. Thirdly, these collective intentions must have been realised exactly as intended. The authors explain that there are no organisations in the world that entirely meet the three conditions. However, they further explain that organisations which have elements of these three conditions are practicing *deliberate strategy formation*. Referring back to Johnson, Scholes, and Whittington (2008), *deliberate strategy formation* is called the *intended strategy development* process. The authors describe *intended strategy development* as including *strategic leadership*, *strategic planning systems*, and *externally imposed strategy*. *Strategic leadership* happens when strategy development is associated with a strategic leader or a group of leaders, as is typical in a small firm where the leader is the owner or founder. Under this process, strategy is seen to be the deliberate intention of the leader. A *strategic planning system* is equated with a formal, systematised, step-by-step, chronological procedure to develop or coordinate an organisation's strategy. For example, a firm's budgeting process can be regarded as part of the *strategic planning system*. Lastly, an *externally imposed strategy* is regarded as *intended strategy development*, as managers view the strategy as being imposed by a powerful external stakeholder. Relating to the

Private HEI industry in Malaysia, which is highly regulated, the Ministry of Higher Education (MOHE) or Malaysia Qualification Agency (MQA) may have such power – as described later in the SLEPT analysis in Section 4.4.

Mintzberg and Waters (1983) defined pure emergent strategy as a consistent pattern of action over time, in the absence of intention. Again, there are no organisations that are completely devoid of intentions; however, there are many instances of firms where intentions were not clear or completely known. The authors describe the above as *emergent strategy formation*. The authors also note that adding the emergent dimension to the traditional deliberate position also introduces the notion of *learning*. The authors explain that emergent strategy implies *learning* what works – taking one action at a time in search for that viable pattern or consistency. In the latter sections of this chapter, the *learning* school perspective will be further reviewed. Referring to Johnson, Scholes, and Whittington (2008), the authors use the term emergent strategy development process to mean *emergent strategy formation*. The authors explain that logical *incrementalism*, *resource allocation processes* (RAP), *political view*, and *cultural processes* are part of the *emergent strategy development* umbrella. *Logical incrementalism*, a process proposed by James Quinn, will be further elaborated in Section 2.3.1. Bower and Gilbert (2005) describe the *resource allocation process* (RAP) as strategies emerging from the way resources are allocated. At times known as the Bower-Burgelman explanation of strategy development, this process emphasises that strategy is better explained as the outcome of problems or issues being addressed as they arise, normally in a large organisation (Johnson, Scholes, and Whittington, 2005). Addressing problems as they arise is an element of emergent strategy formation.

Lastly, Johnson, Scholes and Whittington (2008) list the *political view* and *cultural processes of strategy* development as belonging to the *emergent strategy development* category. Miller (2006) describes the *political view* in terms of strategy emerging from organisational politics, which may include bargaining and negotiations among internal and external stakeholders in an organisation. *Cultural processes* means that strategy emerges as the outcome of taken-for-granted assumptions and behaviours in organisations.

The discussion above cited from Johnson, Scholes, and Whittington (2008) was influenced by earlier framework developed by Hart (1992). The author developed an integrative

framework dividing the strategy making process into five categories. They include command, symbolic, rational, transactive and generative. The style, role of top management and role of organizational members of each process is described in Table 2.1. Command, rational, and transactive tend to be elements of *deliberate strategy formation*, while symbolic and generative are elements of *emergent strategy formation*.

Table 2.1 Hart's integrative framework of strategic –making processes (Hart 1992, p. 334)

Descriptors	Command	Symbolic	Rational	Transactive	Generative
Style	<i>Imperial</i> strategy driven by leader or small top team	<i>Cultural</i> strategy driven by mission and a vision of the future	<i>Analytical</i> strategy driven by formal structure and planning systems	<i>Procedural</i> strategy driven by internal process and mutual adjustment	<i>Organic</i> strategy driven by organizational actors' initiative
Role of top management	<i>Commander</i> provide direction	<i>Coach</i> motivate and inspire	<i>Boss</i> evaluate and control	<i>Facilitator</i> empower and enable	<i>Sponsor</i> endorse and sponsor
Role of organizational members	<i>Soldier</i> obey orders	<i>Player</i> respond to challenge	<i>Subordinate</i> follow the system	<i>Participant</i> learn and improve	<i>Entrepreneur</i> experiment and take risks

Source: Hart (1992, p.334)

Across from the Atlantic, Bailey and Johnson (1995) built upon Hart's (1992) five dimensions to produce six dimensions of strategy development. Corresponding to Hart's command, rational, transactive, generative, and symbolic, the authors relate to command, planning, incremental, political, and cultural. The added sixth dimension is enforced choice, which is related to Johnson, Scholes, and Whittington's *externally imposed strategy*.

Integrating the definitions and dimensions of all the literature reviewed above – which include Mintzberg and Waters (1985), Bailey and Johnson (1995), Hart (1992) De Wit and Meyer (2004), and Johnson, Scholes, and Whittington (2008), I include under *deliberate strategy formation* *externally imposed strategy/enforced choice*, strategic planning/planning/rational, and *strategic leadership/command*. *Emergent strategy formation* includes: transactive/incremental/*logical incrementalism*, cultural/symbolic,

political/generative, and resource allocation process. Table 2.2 summarises these processes, separated into deliberate and emergent strategies. The separation into ‘deliberate’ and ‘emergent’ is based on each process’s elements.

Table 2.2 Strategy formation processes relating to deliberate and emergent

Deliberate Strategy Formation	Emergent Strategy Formation
Externally Imposed Strategy Enforced Choice (Hannan and Freeman, 1977;1989)	Logical Incrementalism Incremental Transactive (Lindblom, 1959; Quinn, 1978)
Strategic planning Planning Rational (Cyert and March, 1963; Ansoff, 1965; Steiner, 1969)	Cultural Symbolic (Brown, 1998; Johnson, 1987,1992; Schein, 2004,)
Strategic leadership Command (Bennis and Nanus, 1985; Westley and Mintzberg (1989); Cyert, 1990)	Political Generative (Pettigrew ,1973; Pfeffer and Salancik, 1978)
	Resource Allocation Process (Bower, 1972; Burgelman, 1982; Bower and Gilbert, 1985)

2.1.3 The paradox of deliberate and emergent

Poole and Van de Ven (1989) proposed taking the *dialectical approach* to strategy research. The authors explain, because organisation theories attempt to capture a multifaceted reality with a finite, internally consistent statement, they are essentially incomplete. The authors also explain that theories always constrain the theorist's field of vision and, as researchers are adjured to perfect their theories and to test them, there is a tendency for the theory to dominate a researcher's thinking. In proposing alternative approaches to theory building, the authors suggest studying and viewing theoretical perspectives as tensions or oppositions. The proposed approach is to use the opposites to stimulate the development of more encompassing theories. The authors further suggest that strategy requires an exploratory approach of the tradition of theoretical debate surrounding important issues. This may lead to the identification of alternative or opposing theories or explanations. This approach may be more effective in revealing ways of relating, contraposing, or integrating theories. The result will be theories less susceptible to the limitations of perspective, enhancing relationships, contraposing debates, and integrating theories. In this view, theories are not statements of ultimate truth but are alternative possible explanations of a multifaceted reality.

Before Poole and Van de Ven (1989) introduced the dialectical approach, Mintzberg and Waters (1985) describe several types of strategies that fit in the "deliberate" and "emergent" continuum. Before this paper, strategy research was narrowly framed and focused on the analytical process. Strategy research was also dominated by the content of strategy and strategy implementation rather than the strategy process. This is one of the pioneer papers that approached this topic from the opposite angles of deliberate and emergent positions. I have identified many strategy process research debates and terms that relate back to "deliberateness" or "emergence". As the research will be taking a dialectical approach described in Chapter 3, in the following sections, I will review these debates and concepts.

Poole and Van de Ven (1989) propose that strategy tensions can be viewed as paradoxes. The paradox allows the theorist or a problem solver to cope with a problem without needing to arrive at a definite answer, since there can be many possible answers. The theorists have to live and accept this paradox and try to find common themes and solutions that can bridge the paradox. This may be the best way to find a conciliatory solution which accommodates

both sides of the paradox. De Wit and Meyer (2004) believe that viewing strategy tension as paradoxes is the ultimate intellectual challenge which leads to the construction of innovative and creative solutions.

Hart and Banbury (1993) found that the best-performing firms have multiple forms of strategy-making. The authors describe how firms that are simultaneously planful and incremental, directive and participative, controlling and empowering, visionary and detailed, perform better than firms that have a single approach to *strategy formation*. The finding above suggests that the solution is complex, and lies in a synthesis of the concepts on both poles. This thesis, applying the *dialectical approach*, attempts to discover the various *strategy formation* processes that are being practiced in the context of the Malaysian Private HEI sector.

Poole and Van de Ven (1989) proposed four ways to address paradoxes in organisation and management theories. Upon reviewing all four ways, I chose the first, which is “opposition: accept the paradox and use it constructively”. This stand, as described by the authors, is to accept the paradox and live with it. These paradoxes enable a researcher to take a *dialectical approach*, using opposite positions to attempt to arrive at a better understanding of the issue that integrates elements/processes of both positions. I chose this approach because ‘deliberate’ and ‘emergent’ are opposites. This approach is consistent with how De Wit and Meyer (2004) explain the strategic tension in *strategy formation* of deliberate and emergent. The authors explain several advantages to this approach which include; range of ideas, points of contention, stimulus for bridging, and stimulus for creativity. The authors present ten different paradoxes utilising the “*dialectical approach*”. Having been introduced to this approach, this researcher has taught strategic management using it for in the past seven years. This researcher believes that this approach is helpful in explaining strategic management concepts. The researcher’s philosophical stance and background will be described in the next chapter, which will complement this research topic and the “*dialectical approach*”.

Hart and Banbury (1994) suggest that, instead of looking at strategy as a dichotomy between deliberately planned and emergent, we should focus on the fact that firms engaging in multiple strategy-making processes achieve higher performances. This suggests that a combination of deliberately planned processes and emergent processes will result in a

higher performance than implementing only one or other side of the spectrum. De Wit and Meyer (2004) also view strategy tension as equating to the two opposite positions of the thesis and anti-thesis of a debate; a strategist should in their view search for an appropriate synthesis somewhere between the two extremes. They summarize the advantages of “*deliberate*” to include direction, commitment, coordination, optimisation, and programming. On the other hand, the advantages for “*emergent*” are opportunism, flexibility, *learning*, entrepreneurship and support.

2.1.4 Strategic tensions relating to deliberate versus emergent paradox

In this section, I will review related strategic tensions and debates in strategic management literature that have links with the paradox of “*deliberate*” versus “*emergent*”. These debates are viewed as dichotomous, and may come from different contexts and perspectives, but each debate has features that can be related to the *deliberate* and *emergent* paradox. There are instances where the concepts are used interchangeably and may refer to the same authors, but from a different context, perspective, or time period. Table 2.3 below explains summarises the various tensions to be discussed.

Table 2.3 Elements relating to Deliberate versus Emergent Strategy formation

Deliberate	Emergent
Strategic Planning System (SWOT, Budget) (Chakravarthy and Lorange)	Logical Incrementalism (Quinn)
Planning School (Formal, Rational) (Ansoff, Ackoff, Steiner)	Learning School (Mintzberg)
Strategic planning (Ansoff, Steiner)	Strategic Thinking (Liedtka)
<i>Control</i> (Cyert)	<i>Chaos</i> (Stacey)

2.1.4.1 Strategic Planning Versus Strategic Incrementalism

De Wit and Meyer (2004) further explored the paradox of deliberate and emergent, dividing these into two diametrically opposing strategy perspectives. One pole represents theorists who emphasise “*deliberateness*” over “*emergence*”. This perspective, called the “strategic planning perspective”, argues that *strategy formation* has to be deliberate and explicit. Comprehensive plans exist and implementation follows the plans formulated. This is similar to the more traditional perspective detailed in their books by two strategic management authors, Ansoff (1965, 1988) and Steiner (1979). Many authors since have refined the

planning process, such as Chakravarthy and Lorange (1994). A more comprehensive review of literature relating to the strategic planning process and review will be presented in Section 2.2.

At the opposing pole to strategic planning is strategic incrementalism. This approach emphasises “emergence” over “deliberateness”. The argument here is that “strategy emerging over time and organisation should facilitate this messy, fragmented, piecemeal process” (De Wit and Meyer, 2004, p. 120). The concept of “*logical incrementalism*”, first introduced by Quinn (1978), forms the most prominent theoretical basis for this perspective. A more comprehensive review of literature relating to *logical incrementalism* will be presented in Section 2.3.

The strategic incrementalism perspective will later be linked to the “emergent” side of the paradox promoted by Mintzberg (1985, 1994c). Other concepts which will be introduced in later sections include the *learning school* and *strategic thinking* – which also have similar elements and similarities to Quinn’s *logical incrementalism* concept.

2.1.4.2 *Planning School versus Learning School*

McKiernan (1997) listed four schools of thought with regard to modern contributions to strategic management. These include: Planning and Practice, *Learning*, Positioning and Resource-Based. The latter two schools of thought can be associated with strategy content, while the former two are relevant to the *strategy formation* process.

McKiernan (1997) gave a historical review of what he called the *planning and practice school* of thought. The author listed three key contributors to this school, whom he acknowledges as the chief architects of the modern concept of strategy. These three architects, whose work will be reviewed in more detailed in Section 2.2, are firstly, Andrews from Learned, Christensen, Andrews and Guth (1965). He splits strategy into formulation and implementation – a concept later widely used in strategy texts and by writers (e.g. De Wit and Meyer, 2004; Mintzberg and Waters, 1985). The second architect is Chandler (1962), with his “structure follows strategy” concept. Third and last is the “planning process” of Ansoff (1965), who is widely acknowledged to be the first to provide a systematic model of strategic decisions. Ackoff (1970) and Steiner (1979) are two subsequent significant contributors to the planning process, as acknowledged by McKiernan (1997) and Mintzberg

(1994c). Both authors acknowledge that planning systems are indispensable and necessary, but not sufficient for performance enhancement. *Strategic planning systems* are mechanical, prescriptive and relevant to corporations, where resources are adequate for planning. McKiernan's (1997) planning school is no different from the strategic planning perspective explained in the previous section, with Ansoff (1965) and Steiner (1979) as key contributors to this school/perspective.

Although McKiernan (1997) did not present the *learning school* as being at the opposite pole to the 'planning school', he documented that the former's school of thought started with scholars challenging the planner's notion of intentional choice and outcome. Ansoff (1991, 1994) engaged in a bitter debate with Mintzberg (1991, 1994a, 1994b) in a series of publications. McKiernan (1997) summarises the *learning school* of thought which promotes bounded rationality and the role of power, internal politics and change in strategy making. The emphasis in the *learning school* is on adaptability to variables that planners are unable to forecast or predict. The environmental context that favours the "*learning school*" seems to be unstable, unpredictable and chaotic, with change being revolutionary rather than evolutionary.

Lastly, McKiernan (1997) makes the following predictions of the Planning and *Learning Schools*. As environments become more complex, the limitations of the *Planning and Practice school* become more pronounced. There is a shift from traditional forecasting of the future by extrapolation from the past to the painting of futures through scenario creation. The process of scenario planning will be further reviewed in Section 2.2.1.3.

2.1.4.3 *Strategic planning versus strategic thinking*

In this section we look at the "*deliberate*" and "*emergent*" paradox from the angle of thought process. The definition of *strategic thinking* and its relationship with *strategic planning* is often unclear and confusing. Heracleous (1998) explains that *strategic planning* is often used to refer to a programmatic, analytical thought process, and *strategic thinking* to refer to a creative, divergent thought process. Mintzberg (1994c) ardently argues that *strategic planning* and *strategic thinking* are two distinct thinking modes. He believes that *strategic thinking* should precede *strategic planning*. The author adds that *strategic thinking* is a synthesising process, utilising intuition and creativity; as opposed to *strategic planning*,

which he defines as an analytical process aimed at programming already identified strategies. To Mintzberg (1994c), *strategic planning* really means strategic programming, which is a process to programme an intended strategy during the implementation of a strategy. It is not a process where a strategy is formulated or formed. As I have explained, strategy implementation topics are not within the scope of this thesis.

Heracleous (1998) has further characterised *strategic thinking* and *strategic planning*. The author explains that *strategic thinking* is analytical; that the real purpose of *strategic planning* is to improve *strategic thinking*; and that strategic planning has over time evolved into *strategic thinking*. These explanations have similarities to Mintzberg's (1994c) understanding where strategic planning is an implementation system of a strategy that is formulated through *strategic thinking*. Therefore, both authors contend that the elements of strategic thinking using synthesis, intuition, and creativity are important in strategy formation. They are also elements of emergent strategy formation.

O'Shannassy (2003), explains that it is possible to take a "broad" or "narrow" definition of *strategic thinking*. Citing, Mintzberg (1994c) and Ohmae (1982), the author explains the narrow definition of *strategic thinking*, has elements that are eastern, generative, creative, synthetic, and divergent thought processes. The focus of the strategists is high-level issues such as the mission and vision for the organization. The author then cited, Liedtka (1998), Wilson (1994, 1998), and Raimond (1996), who prefer a broader definition of *strategic thinking* which seeks to combine the narrow elements explained earlier with a western, rational, analytical and convergent approach to problem solving. Liedtka (1998) is very often cited when *strategic thinking* is concerned. The author argues that *strategic thinking* should be captured in five discrete, but interrelated, elements: systems perspective, intent-focused, thinking in time, hypothesis-driven and intelligent opportunism.

In conclusion, this dichotomy of analytic and creative can be related to the paradox of "deliberate" and "emergent" strategic planning, with analytic representing elements from the "deliberate" pole and *strategic thinking* (narrow definition), and creative representing elements from the "emergent" pole.

2.1.4.4 *Control (strategic leadership) versus chaos*

De Wit and Meyer (2004, pp. 477-528) also explain another paradox that the researcher relates to “deliberate” and “emergent”. It is the paradox between *control* and *chaos*. *Control* encompasses the view that managers and leaders have the ability to shape their own future and that of their firm. Cyert (1990), a prominent researcher in organizational leadership, concluded that an organisation’s leader would control the organization structure, set objectives, controlling information (internal and external) and making important decisions. This is equated to Johnson, Sholes, and Whittington’s (2008) *strategic leadership* process, described as a *deliberate strategy formation* process in section 2.1.2. Tannenbaum and Schmidt (1958) and Vroom and Jago (1998) argue that the need for *control* comes from pressure for a directive leadership style and/or autocratic governance systems. Goold and Campbell (1987) associate strategic planning with corporate centre involvement in planning processes of each strategic business unit, involving a top-down approach.

The opposing perspective to *control* is *chaos*, which believes in authority given to the employees to do things differently, weigh situations, solve problems, and take initiatives. It promotes a participative leadership style and/or democratic governance system. The key author promoting *chaos* is Stacey (1992), with the concept of strategy as an order emerging from *chaos*. While De Wit and Meyer (2004) present *control* versus *chaos* as a separate paradox to *deliberate* versus *emergent*, I relate these two, in that *deliberate strategy formation* has elements of and is suited to *control* leadership type organisations, while *emergent strategy formation* has elements of and is suited to *chaos* leadership type organizations, as promoted by Stacey (1992). The author suggests that strategy will emerge from a chaotic interaction between actors in the organisation and the external environment. Liektka (1998), whose paper describes the elements *strategic thinking*, also agrees with some elements of the *chaos* proposition, which believes that all individuals in the organization can think strategically.

Mintzberg and Waters (1985) note that emergent strategy means not *chaos* but, in essence, unintended order. Quinn’s (1978) “*logical incrementalism*” does not mean incrementally muddling through the *strategy formation* process, but rather responding to unplanned circumstances (not a chaotic process). On the surface, these key contributors may disagree that emergent relates to *chaos*; however, if you look from the organisational leadership perspective, a “*chaos*” type organisation is more fitted to perform proactive

emergent strategy formation. In contrast, for a *deliberate strategy formation* where systems, rigidity and directive planning are required, a “*control*” type organisation is more suitable.

2.1.5 Conclusion: Deliberate versus Emergent

In this first section of the literature review, I have defined the term *strategy formation* from various sources of literature. Processes that belong to *deliberate strategy formation* can be divided into three groups: strategic planning, *strategic leadership/command*, and *externally imposed strategy/enforced choice*. Each of these processes will be reviewed in Section 2.2. Processes that belong to *emergent strategy formation* can be divided into incremental, *cultural/symbolic*, *political/generative*, and *resource allocation process*. Each of these processes will be reviewed in Section 2.3.

This was followed by the introduction of the paradox of “deliberate” and “emergent”. This research methodology will take the *dialectical approach* on this paradox. The section then reviewed and explored various strategy debates and tensions that relate to the *deliberate* and *emergent* paradox.

1.2 Deliberate Strategy Formation

In this section, the researcher will review literature and concepts consistent with *deliberate strategy formation*. To quote De Wit and Meyer (2004, p. 112), “When people act deliberately, they ‘think’ before they ‘do’”. In Section 2.1, I have listed processes with elements of *deliberate strategy formation*, including *strategic planning system*, *strategic leadership/command* and *externally imposed strategy/enforced choice*. I will explain the development of these *strategy formation* processes in Sections 2.2.1 (*strategic planning systems*), 2.2.2 (*strategic leadership/command*), and 2.2.3 (*externally imposed strategy/enforced choice*).

2.2.1 Strategic planning systems

A plan is an intended course of action formulated, detailing the actions the organisation proposes to take. Jelinek (1979) views strategy as a plan, deliberately and scientifically formulated according to specific process and procedures. The author’s arguments are rooted in the father of scientific management, Frederick Taylor. Taylor was the first to code processes which increased the coordination of details in planning or strategy thinking (Taylor, 1913).

All organizations need to plan, especially at the operational/tactical/implementation level. At the *strategy formation* level, planning has its advantages. De Wit and Meyer (2004) listed the following five advantages for deliberately planned *strategy formation*: direction, commitment, coordination, optimisation, and programming. Firstly, plans give organizations a sense of “direction”. Plans help steer organizations to act towards the intended future (Chakravarthy and Lorange, 1991). Secondly, plans enable early “commitment” to a course of action. By setting objectives and drawing up a plan to accomplish these, organizations can invest resources, train people, build up capacity, and take clear position within their environment (Ghemawat, 1991).

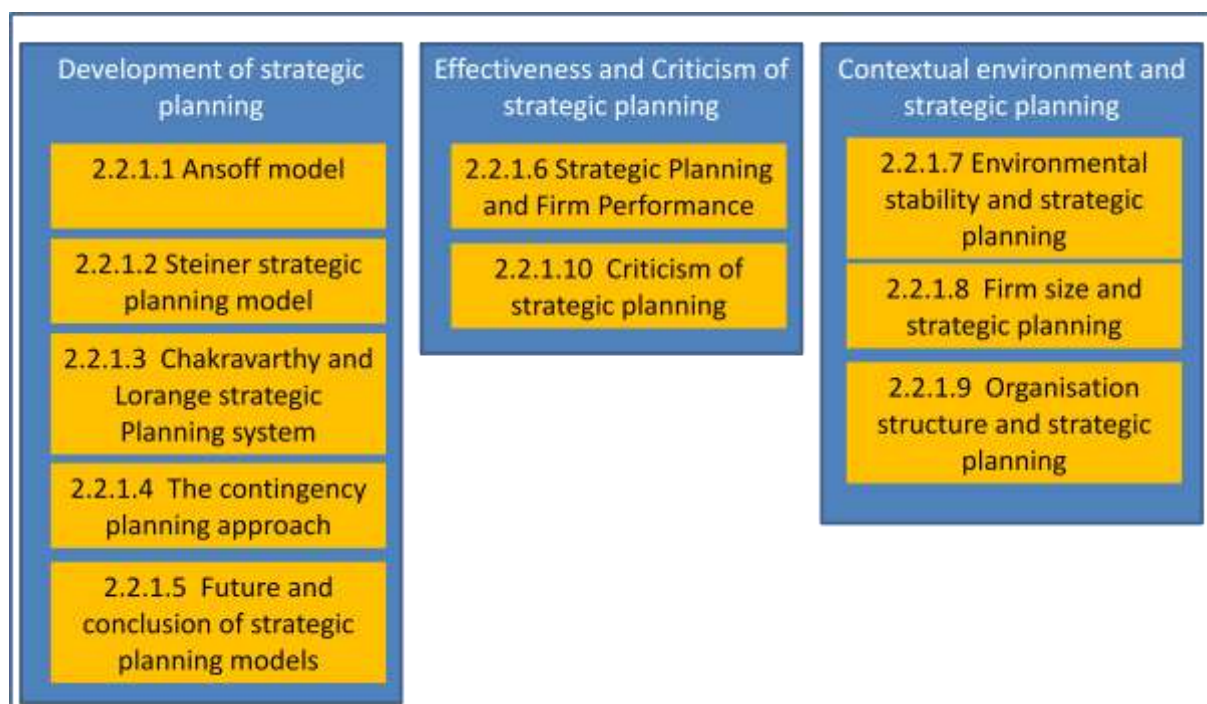
Wildavsky (1979) claims plans help organizations in “coordinating” strategic programmes into a cohesive pattern within the organization. Coordination across functional and divisional units to formulate and implement strategy can be better performed with plans. The author further claims that planning increases rationality, states that “coordination means achieving

efficiency and reliability" (Wildavsky, 1979, p. 133). Plans tell people to achieve coordination and therefore do not allow the organisation to coerce or bargain or stipulate efficiency versus reliability. This will facilitate "optimal" resource allocation (Johnson, Scholes, and Whittington, 2008).

Plans are a means for programming activities in advance. Even Mintzberg (1994c) acknowledged that plans are required when it comes to implementation of strategic activities; he calls it "strategic programming".

In the next sub-sections of Section 2.2.1, I will discuss several sources of literature on strategic planning, divided into development of strategic planning from Ansoff's model to present (Section 2.2.1.1 to Section 2.2.1.5), strategic planning and company performance (Section 2.2.1.6), the contextual environment for strategic planning (Section 2.2.1.7 to section 2.2.1.9), and criticism of strategic planning (Section 2.2.1.10).

Figure 2.3 Strategic planning literature review structure



The foundations of the *strategic planning system* come from the rational model (Hart, 1992). The rational model is defined by Kukalis (1991, p.145) as 'an explicit decision-making process for determining the firm's long-range objectives, procedures for generating,

evaluating, and picking alternative strategies, and a system for monitoring the results of the plan when implemented' (Armstrong, 1982; Steiner, 1979; De Wit and Meyer, 2004). An earlier definition of strategic planning by Chandler (1962) also includes the allocation of resources as a strategic planning activity.

Most strategic planning contributions propose a formalized process of creating strategy alternatives using a *SWOT* model (Strength, Weaknesses, Opportunities, and Threats). This model is popularised by another planning forefather Kenneth Andrews (Learned et al., 1965). Mintzberg (1990) calls this the 'design school model'. In the following sections (2.2.1.1 to 2.2.1.4), I will review the key strategic planning frameworks that have been widely cited. They include Ansoff (1965), Steiner (1969,1979), Chakravarthy and Lorange (1991), and the contingency planning approach.

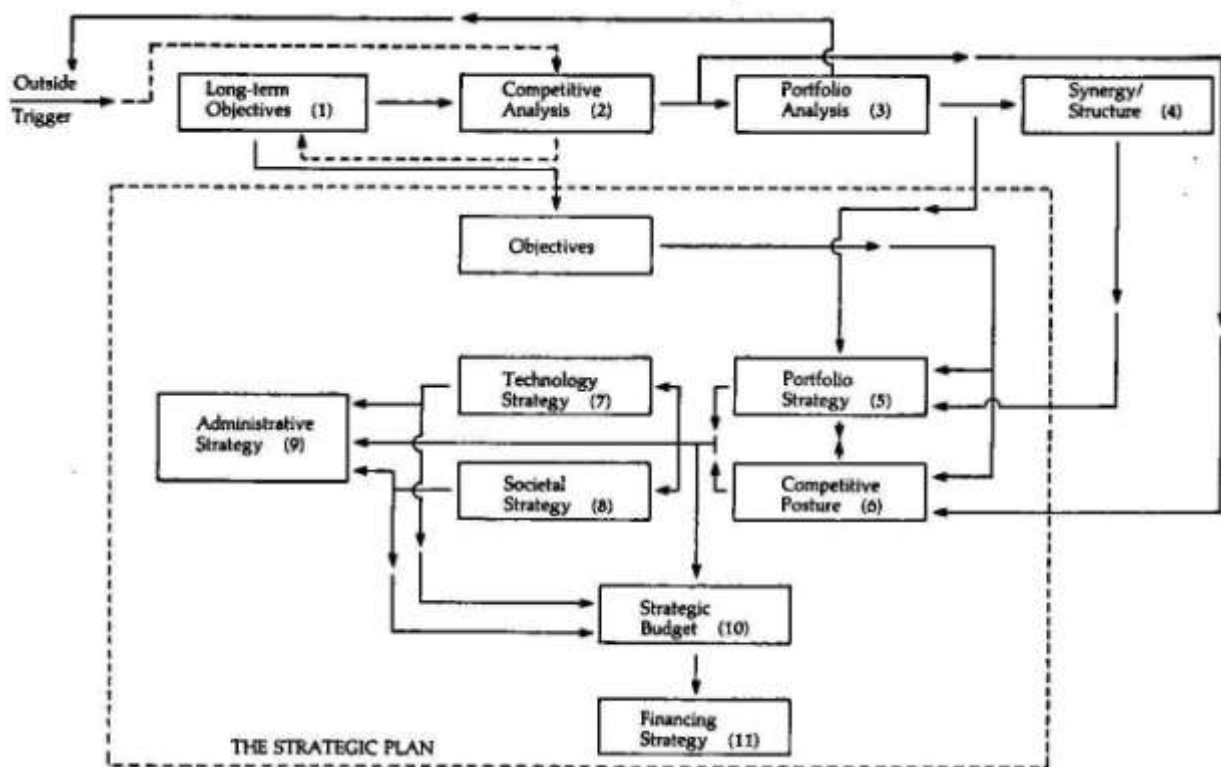
2.2.1.1 Ansoff model

The popularity of strategic planning peaked in the 1960s following the contribution of Ansoff (1965) and his rational and analytical strategic planning models. The process is set in the context of product-market strategy. Ansoff (1965, p.12) wrote that "the end product of strategic decisions is deceptively simple". It is a combination of answering strategic decisions that are either for new product-markets, divestment from some old ones, or expansion. This is often called the Ansoff product-market matrix.

The model is very detailed, and is characterized by a "cascade of decisions, starting with highly aggregated ones and proceeding toward the more specific" (Ansoff, 1965, p. 201). It has decision flow-charts and decision schematics for different sub-processes of strategic planning revolving around new products, divestment or expansions. The processes detailed include strategy formulation, objective formulation, competitive analysis, portfolio analysis, diversification/internationalisation strategy, and competitive posture analysis, and end with the strategic plan (Figure 2.3). The strategic plan combines inputs of strategic objectives, portfolio strategy, competitive posture, technology strategy, societal strategy and administrative strategy into a final strategic budget and financing strategy. The processes outlined by the author that lead to the strategic plans are incredibly detailed; each step has suggested hierarchies and prescribes factors to consider. The plan also incorporates concepts of gap analysis and synergy. The model itself, acknowledged even by Mintzberg

(1994c, p. 46), “achieved an analytical scope unlike that of any other book, one...”, which provides an overall conceptual and methodological framework for solving the firm’s total strategic problems. The level of detail means that large resources are required to gather and analyse information.

Figure 2.4 Ansoff’s Strategic Planning Model



Source: Ansoff (1988, p. 1982)

However, this model, as detailed as it is, only answers one dimension of strategic decision – a plan for product and markets. This is very much the positioning school led by Porter (1980; 1985), as described in Section 2.3. It does not view strategy as a ‘perspective’ defined by Drucker (1973), which takes into consideration what the business is. Mintzberg (1991) criticised Ansoff’s model that if applied to Honda at the time, the model would have suggested that Honda’s small motorcycle in the US was a ‘non-starter’. Yet Honda created a market (Pascale, 1984). Similarly, in current times, Apple would not have dominated and created new products such as the Ipad and iPhone, if Ansoff’s mode had been used for strategy making.

2.2.1.2 Steiner's Strategic Planning Model

Steiner's (1969,1979) strategic planning model is even more detailed than Ansoff's, but quoting Mintzberg (1994c, p. 47) "is less developed than that of Ansoff, and by almost any account more conventional and less sophisticated." The model is more comprehensive, with detailed steps along every process including execution of the plans, which was not in Ansoff's model. The author also added a further step in the strategic planning process, which includes a post-implementation phase called "Review and evaluation of plans". The author divides the process into medium-range planning, which is usually involves a five-year period, and is then converted into annual short-term budgets and functional plans. The medium-range plans are comprehensive, coordinated and each detail sub-processed by business and functions. The strategic plan includes resource allocation plans to deploy to achieve certain objectives. The outcome is a plan with strategies and policies laid out. Quoting Steiner (1969, p. 35), short-term budgets and detailed functional plans include "short range targets for salesman, budgets for material purchases, short-term advertising plans, inventory replenishment, and employment schedules." As noted in Section 2.1.1., strategy execution or strategy implementation systems are not within the scope of this thesis. A significant contribution to Steiner's model is on strategic execution and implementation, but this element leads to the further development of *strategic planning systems* which include budgeting, resource allocation, and subdividing processes into businesses and functions.

Modern *strategic planning systems* used today have many elements of Steiner's model. These include a five-year strategic plan, an annual budget process, and division of business and functional units.

2.2.1.3 Chakravarthy and Lorange strategic planning systems

Further developing from Ansoff's and Steiner's planning systems, Chakravarthy's and Lorange's (1991) refinement to the strategic planning model also worked around the five-year *strategic planning system*, annual budgeting process and subdividing businesses and functions. The authors detailed five distinct steps to be taken in the *strategy formation* process. These are:

1. Objective setting.

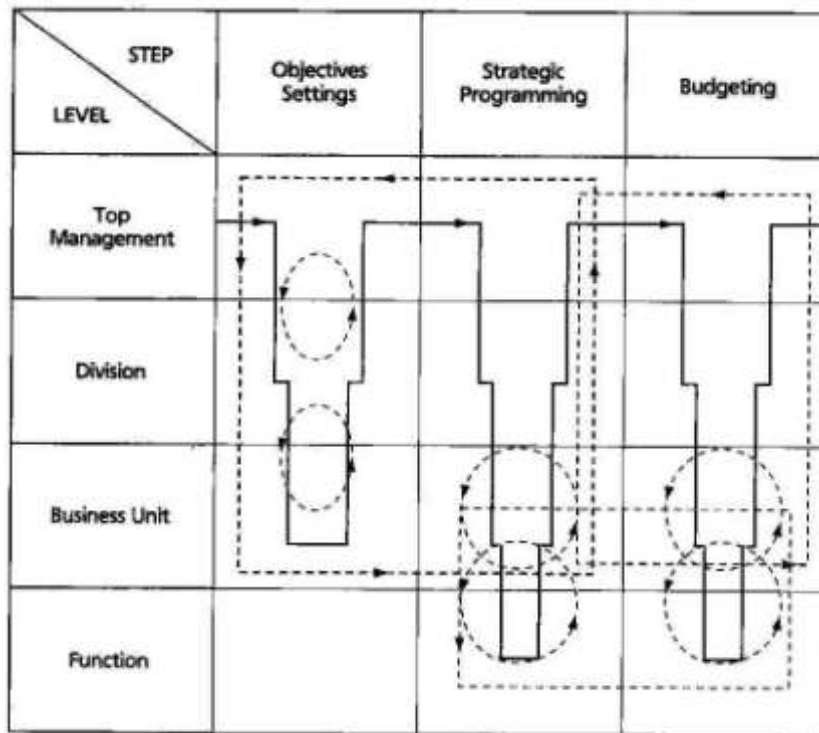
2. Strategic programming.
3. Budgeting.
4. Monitoring, control, and learning system.
5. Incentives and staffing systems.

Step one, “objective setting”, involves an open-ended reassessment of the firm’s business environments and its strengths in dealing with these environments. A typical outcome from this step is a set of strategic objectives derived from a *SWOT* analysis. A noted point made by the authors about this step is that it is entirely the responsibility of the top management, which is consistent with a *strategic leadership* process. The objectives and forecasts of the environments are compiled and then discussed with divisional and business unit managers. The functional staff are left out of this objective setting process as the authors believe that they play only a supporting role.

Step two in this process is strategic programming, where cross-functional programmes are defined and a financial plan is produced – typically for a 5-year horizon. The goals and strategy are communicated to divisional managers who, with the support of their business units and functional units, seek to identify programmes in order to meet the objectives set. One issue the authors note is that functional staff within a firm may represent a different culture and do not blend in easily. The proposed strategies then travel up the hierarchy to be approved and, at the divisional level, they look for synergies across the firm - a key element adopted from Ansoff’s strategy planning process.

This is followed by step three, budgeting. This process once completed (normally in the preceding year) starts the implementation sub-process. The fourth step focuses on meeting key milestones in the strategic budget and on adhering to planned spending schedules. Strategic programmes are monitored, as is adherence to spending schedules. The fifth and final step is the award of incentives to the firm’s staff. A redesigning of incentives or re-designation of staff may be necessary if the desired result are not achieved. Figure 2.4 summarizes the strategy process of Chakravarthy and Lorange (1991). The model with the five steps is, again, very prescriptive and largely top-down in the command structure, with little influence from middle managers.

Figure 2.5 Chakravarthy's and Lorange's Strategic Planning System



Source : Chakravarthy and Lorange (1991, p. 7)

2.2.1.4 The contingency planning approach

More recent *strategic planning systems* try not to be overly deterministic. Strategic planning heavily relies on assumptions to predict the future - a future in which increasingly environments are becoming more complex, volatile and unpredictable. This led researchers to develop the *contingency planning approach*. Some proponents of the *contingency planning approach*, such as Kukalis (1991), favour shorter plan reviews and realigning plans to follow the new environment. This approach emphasises flexibility in the plans to face complex and volatile environments. This means plans have short time horizons and are reviewed more often.

An example of the *contingency planning approach* is scenario planning. Wilson (2000) outlines four approaches to scenario planning, ranging from the most elemental to the more sophisticated. The first two approaches, which include “sensitivity/risk assessment”, are used to evaluate specific strategic decisions. Within a typical modern strategic planning

system such as the one suggested by Chakravarthy and Lorange (1991), this tool can be used by business units to propose alternatives. The second approach involves testing to evaluate the consolidated strategic plan (corporate wide) against different scenarios, which includes opportunities and threats. Strategy realignment alternatives and *contingency planning* may follow this process.

The third approach is strategy development using a “planning-focused” scenario. This approach involves running scenarios to look for common “opportunities” and “threats” and determine what the firm should and should not do. These strategic elements are then tested against the most probable scenarios (planning-focused scenario). The last and most complex approach differs from the third approach in that key successful strategic elements are tested against all scenarios identified rather than just the planning-focused scenario.

2.2.1.5 Future and conclusion of strategic planning models

In the recent contribution by Brews and Purohit (2007), they suggest future strategic planning studies. Based on Hart’s (1992) integrated dimensions, the authors separate planning into four dimensions: *symbolic planning* articulates the overall mission, vision or strategic intent of the firm; *rational planning*, which is a formal planning system starting from high-level strategic goals through to the budget; *transactive planning* represents the degree to which plans are formed iteratively on an ongoing basis, based on continual adaptation and feedback; and lastly, *generative planning* represents the degree to which plans encourage innovation, including internal process innovation. The authors include emergent elements in their strategic planning process. The incremental element in *transactive planning* may indicate that future planning models will further include *emergent strategy formation* elements. Therefore, integrative approach is combination of both deliberate strategy formation and emergent strategy formation. There are a few studies that have taken this approach in recent years (from 2007 to 2011), which will be reviewed in Section 2.3.7.

Giraudeau (2008), using the case study method on Renault in Brazil, concluded that plans can promote flexibility if they are written and read to be flexible. This reflects the ongoing solutions strategic planning researchers try to devise to cope with more challenging and dynamic environments. The study found that plans as supportive tools help executives represent and observe possible strategies, which in turn contribute to innovative strategies.

The author found that closed plans, when read adequately, can result in creative actions; or plans can be written in an open way.

In this subsection, I have reviewed the major models of strategic planning, which include Ansoff's model, Steiner's model, strategic planning systems (Chakravarthy and Lorange) and contingency approaches (Wilson). *Strategic planning systems* have become more flexible with the introduction of the contingency approach in the last 12 years. Recent *strategic planning systems* have found some *emergent strategy formation* process elements, including designing open plans to find creative and innovative solutions.

The common concepts about all these four models, are each has specific prescribed step/process to produce a strategic plan that is to be implemented in the future. It also use rational and integrated decision making analysis. Ansoff's model is one of product and markets selection, however the model would have missed creation of new revolutionary products. Steiner's model is completely tactical and the model supports strategy implementation, and not strategy formulation. The third model as presented by Chakravarty and Lorange (1991) is still widely used today. The model as compared to Ansoff's model, limits the functional division's influence. Business unit managers are also not involved in information collection.

All three models discussed above have a major limitation; they do not take into consideration environmental uncertainty and changes. This led to the final model, contingency approach. The approach is seen more as a refinement process for the third model to take into account environmental changes. This process is time and resource consuming, requiring extensive external information.

I have reviewed the development of the strategic planning process in Section 2.2.1.1 to Section 2.2.1.5. In the subsequent sections, I will review strategic planning's effectiveness, contextual environment, and criticism. I will review empirical evidence of the effectiveness of strategic planning (Section 2.2.1.6), contextual environments and strategic planning (Sections 2.2.1.7 to 2.2.1.9), and criticisms faced by advocates of *strategic planning systems* (Section 2.2.1.10).

2.2.1.6 Strategic Planning and Firm Performance

Upon reviewing various journal articles found through keyword search, I found no dominant or consistent methodology available to support the link between planning and performance (Ansoff et al, 1970; Herold, 1972; Thune and House, 1970; Grinyer and Norburn, 1975; Wood and LaForge, 1979; Kudla, 1980; Leontiades and Tezel; 1980; Jemison, 1981; Armstrong, 1982; Pearce, Freeman, and Robinson, 1987; Boyd, 1991; Schwenk and Schrader, 1993; Miller and Cardinal, 1994; McKiernan and Morris, 1994; Brews and Hunt, 1999; Desai, 2000). As regards, firm performance, the authors mostly relate this to revenue growth, profit growth, or stock performance. However, planning activities theoretically should link to performance: a firm that invests vast resources on planning should theoretically do better than a firm that does not plan. The use of plans has even been supported by planning sceptics (Mintzberg, 1994c; Kanter, 2002).

Among the various earlier (1970 to 1980) literature reviewed, I have found contradictory support for the notion that strategic planning contributes to firm performance. Among the studies that support the linkage between strategic planning activities and firm performance are Ansoff et al (1970), Herold (1972), Thune and House (1970), and Wood and LaForge (1979). In the same period, there are other studies that found no relationship between strategic planning and firm performance. These studies include Grinyer and Norburn (1975), Kudla (1980), and Leontiades and Tezel (1980). This inconsistency raises questions about the value of planning for organisational performance.

An often cited study by Pearce, Freeman, and Robinson (1987) reviewed 18 empirical studies testing the effect of formal strategic planning on economic performance, and concluded that the link is tenuous. The authors mentioned the inconsistency of conceptual definitions and operational approaches as one of the major obstacles in the methodology. Conflicting findings have emerged and empirical support for the link between strategic planning and performance has been inconsistent and contradictory.

According to Jemison (1981), the principal methodology concern is the lack of contextual influences. Pearce, Freeman, and Robinson (1987) listed another methodological concern where the studies have attempted to measure the same underlying organization phenomenon with different approaches. Some studies have involved studying the impact of

planning on firm performance by comparing degree of formality of planning, and some other studies have reviewed the perceived importance of planning to economic performance. As Armstrong (1982) noted, most of the studies that have tried to link strategic planning to firm performances have generally addressed performance differences between firms with formal planning systems and those without, and have not distinguished adequately between characteristics of the planning process and the planning context each individual firm faced. Boyd (1991) performed a meta-analysis of 29 samples of 2,496 organisations and found that their planning and performance correlation was only 0.1507. The author acknowledged the poor conceptualisation and measurement protocols utilised to operationalise the planning construct as a key methodology problem. Later, Miller and Cardinal (1994) performed another meta-analysis of 26 studies and found that strategic planning did positively influence firm performance. McKiernan and Morris (1994) concluded that relationships between formal planning and financial performance were largely inconclusive among Small and Medium Enterprises in the United Kingdom. Meanwhile, Schwenk and Schrader (1993), in another meta-analysis of the correlation between small firm financial performance and strategic planning, found this to be significant and positive, although small.

Brews and Hunt (1999), with improved methodology and definitions using the integrative approach described in Section 2.2.1.5, were able to empirically conclude that planning strongly supports performance. They also concluded that the incremental/emergent model is not advisable. Desai (2000) empirically proved that stock performance reacts positively when there is an announcement of strategic planning activity. The author also claims that the stock market favours the long range planning horizon adopted by companies.

From the studies above, the initial inconsistencies stemming from the use of inconsistent methodologies to link strategic planning to firm performance seem to have dissipated. I conclude that there should be positive linkage between strategic planning activity and firm performance. The authors above also mention that the inconclusiveness of these studies of planning and performance may further be due to the context (situation) of the firm. Context could be internally related, such as organisational leadership, structure or culture, strengths and weaknesses of the firm; or external context, which could mean the industry environment, PEST factors, and opportunities and threats a firm faces. This researcher will explore

elements within both the external and internal context of the Malaysian Higher Education industry. In Section 2.2.1.3 (next section), the researcher will explore the contextual environments as moderators for strategic planning and firm performance.

2.2.1.7 Environmental stability and strategic planning

Pettigrew (1985) also emphasized the importance of understanding *strategy formation* processes in context, since the context influences the strategies as they develop. Kukalis (1991, p.155) states that “some relationships exist between design variables of *strategic planning systems* and a firm's internal and external characteristics.” The author's study revealed that planning extensively responds to a set of contextual variables. The designed response (plan) of a firm also responded to these contextual variables. Starting from the early eighties, more and more attention was given in literature to the extent to which the characteristics of *strategic planning systems* conform to environmental and company characteristics. They include environmental stability, company size, and organizational structure. For the rest of this section, I shall review these various contextual variables.

In a study of 48 UK companies, Al-Bazzaz and Grinyer (1980) found that company size, organisational structure, charter, degree of diversification, country of ownership and technology bear strongly upon the roles and contributions of corporate planners. Armstrong (1982) hypothesized that the situations favouring formal planning include: inefficient markets, large internal or external changes, high uncertainty, and high complexity. Fredrickson and Mitchell (1984) addressed the issue of environment and planning comprehensiveness in the context of firm performance. They found that planning comprehensiveness was positively related to performance in a stable environment and negatively related to performance in an unstable environment. These notions were further supported by the *learning/emergent* school supported by such as Bresser and Bishop (1983), who argued that comprehensive planning in uncertain and complex environments may cause more intra-organizational contradictions than it resolves. Mintzberg (1994c, p.207) too agrees that “planning has generally garnered more support when conditions are relatively stable.”

Some studies however have opposed the views of the above contributions about stable environment and planning. Grinyer, Al-Bazzaz, and Yasai-Ardekani (1986) found that companies with vulnerable core technologies (an unstable environment) employ more

specialist planners and more forecasting in their strategic planning process. They also found that the hostility of market conditions (again, an unstable environment) is associated with planner having greater scope, status and involvement. Kukalis (1991) found that environmental complexity increases planning extensiveness. His study indicated that, in complex environments, plans are reviewed more frequently and strategic plans generally have shorter time horizons. In other words, a more flexible planning system is likely to be found in companies operating in such environments. These findings are consistent with the findings of Grinyer, Al-Bazzaz, and Yasai-Ardekani (1986) but are opposed to those of Fredrickson and Mitchell (1984), and Bresser and Bishop (1983).

Brews and Hunt (1999) reject the environment moderating planning hypothesis in favour of an alternative hypothesis: that formal planning and incrementalism are both elements of good strategic planning, especially in unstable environments. Brews and Purohit (2007), in a recent study, showed that planning increases as environmental instability increases. These authors divide strategic planning into four dimensions (described earlier in sub-section 2.2.1.5). They suggest that unstable environments are associated with *generative planning* and *transactive planning*, both of which have strong elements from the incrementalism/emergent school. *Symbolic planning* and *rational planning*, which have elements of traditional formal planning systems, are more strongly associated with firm size than environmental instability.

To conclude, while environmental stability does seem to increase or decrease planning activities, there is no definitive conclusion from this review whether a stable environment increases or decreases these. More recent studies show that planning activities increase in unstable environments, which in turn increases the demand for more flexible and reactive *strategic planning systems*. These flexible and reactive planning systems increases the resources invested in strategic planning activities.

2.2.1.8 Firm size and strategic planning

Firm size is a contextual factor in determining the use of formal planning systems. It is logical that the larger the firm, the more demand for the direction, commitment, coordination, optimisation, programming, and control that formal planning systems provide (De Wit and Meyer, 2004). Pfeffer (1982) suggests that increasing firm size provides an opportunity to

benefit from an increased division of labour, which means increasing the number of departments in the organisation. This requires greater co-ordination among managers. The need for coordination in large and complex organisations points an organisation towards *strategic planning systems*. The author's second argument is that the size of the administrative component expands as the size of the organization increases, leading to and supporting greater centralised control through *strategic planning systems*. The need for coordination and control were both listed by De Wit and Meyer (2004) as factors for the use of *deliberate strategy formation*, which strategic planning systems is part of. Pfeffer (1982) concluded that, since larger organizations have a greater need for co-ordination and control, one would expect firm size to influence the extent of the planning process. This positive link of firm size to planning extensiveness (formal planning) was empirically supported by Brews and Purohit (2007). Therefore, strategic planning processes increases with firm size.

2.2.1.9 Organisation structure and strategic planning

Mintzberg and Waters (1985) suggested that types of strategies [strategy planning or emergent planning] maybe a function of the organisation structure. Burns and Stalker (1961) identified the paradox of hierarchical and networked organisations. 'Hierarchical' is identified with *mechanistic organisations* – one of two diametrically opposed perspectives. Networked organisations, on the other hand, are identified as organic organisations (Stopford & Baden-Fuller, 1994). Slevin and Covin (1997, p. 193) describe *mechanistic organisations* as having elements of "centralized decision-making, strict adherence to formally prescribed rules and procedures, tight control of information flows, and carefully constructed reporting and workflow relationships." These are also strategic planning elements. Organic organisations on the other hand have elements that include decentralized decision-making, organizational adaptiveness and flexibility, open communications, and a de-emphasis of formal rules and procedures." These are also elements of emergent strategy formation.

Mintzberg and Waters (1985, p.269) found that "strategy will tend to be more deliberate in tightly coupled, centrally controlled (*mechanistic*) organizations and more emergent in decentralized (organic), loosely coupled ones." Campbell and Goold (1987) also associate strategic planning processes with centralised structures following a top-down approach. Empirically, Slevin and Covin (1997) found that planned strategies are more positively

related to sales growth among firms with *mechanistic* than organic structures. Conversely, emergent strategies are more positively related to sales growth among firms with organic rather than mechanistic structures. Therefore, strategic planning systems are more effectively used in *mechanistic organisations*.

In conclusion, a review of strategic planning literature (in Section 2.2.1.7 to 2.2.1.9) reveals three factors that may influence the success of employing of formal planning systems. First is the stability of the environment. Earlier studies showed that formal planning systems were suited to stable environments, while later studies with improved methodologies, have proven otherwise. Second is firm size: as the size of a company grows so does the need for a formal planning process. Thirdly, formal strategic planning can be more effectively used in *mechanistic* rather than organically structured organisations.

2.2.1.10 Criticism of Strategic Planning

The leading scholar that criticises the strategic planning process is Mintzberg (1978; 1987; 1990; 1991; 1994a; 1994b; 1994c). Mintzberg challenged whether strategic planning is the single best way to plan, while identifying many pitfalls and fallacies of planning. He made several major criticisms of strategic planning that still resonate a decade and half later.

Mintzberg (1994c) describes the first pitfall of planning as lack of commitment by top senior officers who have delegated the process of planning to corporate planning staff. This also reduces a top manager's power and influence. In addition, the presence and activities of corporate planners also reduce the influence and control of subunit managers and heads - who become implementers of the formulated strategy. Allaire and Firsirotu (1990) claims that planning is a centralised process and the decisions made are not democratic, with this loss of freedom sometimes leading to forfeiting participation for performance. The authors also claim that planning is more concerned with calculations of 'things' rather than the commitment of 'people'.

Mintzberg (1994c) goes on to say that planning and change are diametrically incompatible. He argues that plans are not flexible, citing Henri Fayol's claims from 1916 that plans are created to reduce flexibility. Planning is a fundamentally conservative process where change is incremental as it is based on precedent. The system used in planning also deters creativity and outcomes are frequently generic. Planning often favours incremental change

rather than bold initiatives, due to the difficulty of quantifying long-term economic objectives. It therefore cannot be employed in situations that require transformation change.

Mintzberg then criticises the planning process from the organisational politics perspective. Allaire and Firsirotu (1990) describe a phenomenon whereby, due to the planners' proximity to wide corporate information and to sources of power, some line managers defer to their judgement or seek to co-opt them on important issues. Mintzberg (1994c) also criticises the use of planning for "public relations": the fact that having a plan does not necessarily ultimately increase performance, but rather it just looks good on paper and gives a sense to the outside (investors) that the management is in control of the future. This "public relations" factor was later empirically proven by Desai (2000), who showed that stock performance correlates with the announcement of strategic plans. With its obsession for control, strategic planning discourages commitment and allows politics to fester in an organisation (Mintzberg, 1994c).

According to Mintzberg (1994c), the above pitfalls stem from a few fallacies. They include the detachment of planners/strategists from day-to-day operations, the reliability of forecasting the future, and the difficulties of formalising the *strategy formation* process. The author claims that the excessive "detachment" arising between strategy formulation processes (performed by central planners) and strategy implementation and daily operations (performed by the operating business units and functional departments) is a big deterrent to successful implementation. Notably the author claims hard data collected by central planners are inadequate.

'hard information is often limited in scope, lack richness and often fail to encompass important noneconomic and non quantitative factors.' (Mintzberg, 1994c, p. 259)

The second fallacy is that the claim by planners to predict middle or long-term futures is highly questionable. The third fallacy, or at least drawback, is that formalising *strategy formation* favours rational analysis and linear relationships over intuition. This is an impediment to creative solutions and flexible reactions to complex multifaceted problems.

Other critics claim that strategic planning's control, rationale, and detailed processes stifle creativity and innovation. Bresser and Bishop (1983) argued that comprehensive planning in uncertain and complex environments may cause more intraorganisational contradictions

than it resolves. They believe that formal planning tends to suppress creativity and spontaneity and instead encourages a rigidity that is often dysfunctional. Downes and Mui (1998) claimed that, in an era of relentless change, long-term planning is useless. They believe that firms should dispense with long-term comprehensive plans and instead rely on many small probes into the future.

Many opponents of planning have claimed that planning is not suitable for non-routine activities like *strategy formation*. Hamel (1996) further claimed that planning stifles innovation. Leidtka (2000) wrote that managers must search for new ways of understanding old problems, and must be aware of how others are reinterpreting what they see. Strategic planning inhibits this process of searching and rethinking.

Bonn and Christodoulou (1996) and Boyd (1991) accused strategic planning of stifling creativity by eliminating true vision and synthesis from the process of change. This is due to the emphasis on rational analysis, often based on repetitions and processes benchmarked from other organizations in different contexts. The analysis is often linear in nature and does not seem to fit the nature of strategy. The focus on short-term financial targets and budgets is also myopic. The authors also criticize planning as an instrument of control - the diametric opposite of empowerment.

In conclusion, the critics of strategic planning which includes Mintzberg (1978;1994c), Boyd (1991), Bresser and Bishop (1993), Allaire and Firsirotu (1990), Bonn and Chistoudoulou (1996), Hamel (1996), Downes and Mui (1998) and Leidtka (2000) have prompted many to look at *strategy formation* from another perspective, namely *emergent strategy formation* process. These criticisms are mainly based on the view that plans are effective strategic programming tools – but not for the *strategy formation* process.

2.2.2 Strategic leadership/Command mode

Johnson, Scholes and Whittington (2008, p. 401) define *strategic leadership* as “a strategy development process that is associated with a strategic leader or a group of leaders, which is typical in a small firm where the leader is the owner or founder.” It is described as a *deliberate strategy formation* process. In this process, *strategy formation* is associated with a

strategic leader (or a group of individuals), whose role is to formulate the vision and strategy of their organisation and also oversee how the strategy will be put into action (Nahavandi and Malekzadeh, 1993). DuBrin, Dalglish, and Miller (2003) and Johnson, Scholes and Whittington (2008) claim that strategic leaders use strategic planning frameworks and *SWOT* analysis to formulate their strategies, suggesting that it is a *deliberate strategy formation* process. In addition to these direct decisions, strategic leaders can influence the *strategy formation* process through the allocation of resources and control over the reward system (Kerr and Slocum, 1987; Schein, 2004). Both are elements of *deliberate strategy formation*.

A keyword search of *strategic leadership* literature and studies leads to a focus on the elements, style and traits of a good strategic leader, with Adair (2002) being one of the prominent authors in the area. However, a review of Adair (2002), and Boal and Hooijberg (2001), revealed that *strategic leadership* has many *emergent strategy formation* elements such as *learning*, intuition, adaptability, and making changes midway. Therefore, in this thesis, I have narrowed *strategic leadership* from the *strategy formation* perspective outlined by Bennis and Nanus (1985), Westley and Mintzberg (1989), Hart (1992), Bailey and Johnson (1995), and Johnson, Scholes, and Whittington (2008), which includes the command and control elements of strategic leadership.

Entrepreneurialism can also often be linked with the *strategic leadership* process. Westley and Mintzberg (1989) link entrepreneurship with the creation of a strategic vision. Since the strategic vision is the intention of the leader, the process is largely deliberate (Mintzberg and Waters, 1985). There is normally a high degree of centralisation in entrepreneurial organisations (Mintzberg, 1979). However, Westley and Mintzberg (1989) note that there are emergent elements in entrepreneurial organisations where the vision changes to adapt to the environment over time, including sometimes rather quickly.

2.2.2.1 Command Mode

Hart (1992) and Bailey and Johnson (1995) regard *strategic leadership* as the command mode of strategy making, which is an element of deliberate strategy formation. Two of the key references here are Bennis and Nanus (1985) and Wesley and Minztberg (1989). Mintzberg (1973) mentioned that command mode strategy making is a conscious, controlled process that is centralised at the very top of the organization. Top managers formulate the

strategies and organisational members execute the plans formulated in the command mode (Hart, 1992). This suggests a top-down hierarchical structure, where strategy from the top (commander) is executed by the bottom (soldiers).

Many small owner-managed firm practices the command style (Miller and Le Breton-Miller, 2005). Given that there are many owner-managed Private HEIs in Malaysia, the presence of the command style needs to be studied as it relates to the *deliberate strategy formation* process.

2.2.2.2 Control Organisation Leadership and Organisation structure

Strategic leadership and *control organisational leadership* cited from Cyert (1990) share many similarities, such as the leader controlling the organization structure, setting objectives, controlling information (internal and external), and making important decisions. *Control* and influence may be exercised in different ways: through personality, rigid firm policies, or specific expertise (Bailey and Johnson, 2005).

Section 2.1.4.4, on the paradox of *control organisational leadership* versus *chaos organisational leadership*, suggested that formal *strategic planning systems* were more suitable for centralised controlled organisations versus decentralised. Andersen (2004) found that both decentralized decision structures and the extensiveness of planning activities are associated with higher performance in dynamic environments. These findings support the notion that effective organisations engage in more complex *strategy formation* processes which combine a decentralised organization structure (*chaos organisational leadership*) and deliberate planning. Importantly, this study revealed that combining decentralised organization structures with deliberate planning can be successful in dynamic environments. While *strategic leadership*, *control organisational leadership* and deliberate planning are often related to centralised organisational structures as referred to in Sub-sections 2.2.4.4 and 2.2.1.3 citing Mintzberg (1985) and Campbell and Goold (1987), it is the opposite (decentralized organizational structure/*control organisational leadership*) that is more effectively combined with *deliberate strategy formation* processes.

2.2.3 Externally imposed strategy/Enforced choice dimension

One of the more prevalent antecedent variables addressed in strategic management literature is the environmental context. As something of an amalgamation of the antecedent environmental context and the planning strategy process, the enforced choice strategy development process is one that is “forced” upon firms that operate in dynamic environments, hence the name enforced choice dimension (Bailey and Johnson, 1995). Derived from Hannan and Freeman’s (1977; 1989) organization theory named population ecology, firms have to configure themselves to fit with the environmental configurations that surround them. The authors claimed ‘structural inertia’ reduced the ability of manager to change strategies and structures. In this strategy development process, accurate assessment of the external environment is essential and the strategic alternatives that follow must be consistent with the organization’s powerful external stakeholders. Gunby Jr (2009) found that under constraint environments, such as highly regulated industries and firms facing power stakeholders, enforced choice *strategy formation* results in higher performance. The ability to adapt to the objectives of these powerful stakeholders may become a competitive advantage. The author also found that enforced choice and the political mode are complementary processes that can result in higher firm performance. Johnson, Scholes, and Whittington (2008) call this *externally imposed strategy*.

2.3 Emergent Strategy Formation

To authors favouring planning like Jelinek (1979), Ansoff (1965) and Steiner (1979), strategy is viewed as a plan. Mintzberg (1978), however, sees strategy as a pattern, a consistency of behaviour that may lead you to a final outcome (realized strategy) that is different from the intended one. Some planning literature favours “positioning” when related to strategy (Powell, 1992), a concept popularised by Porter (1980). Others favour “perspective” (Drucker, 1973), an organisation’s way of doing things. Positioning looks “out” to the market place, whereas perspective looks “in” to the organisation and the mind of the strategists. “Perspective” also looks “up” to the vision of the enterprise. Mintzberg (1994c) claims that more deliberate planners view strategy as positioning, while more emergent advocates and incrementalists view strategy as perspective.

As reviewed in Section 2.1.4, *emergent strategy formation* has elements such as incrementalism, *learning*, *strategic thinking* and *chaos*. In the next section, I will review the development and elements of emergent strategy formation.

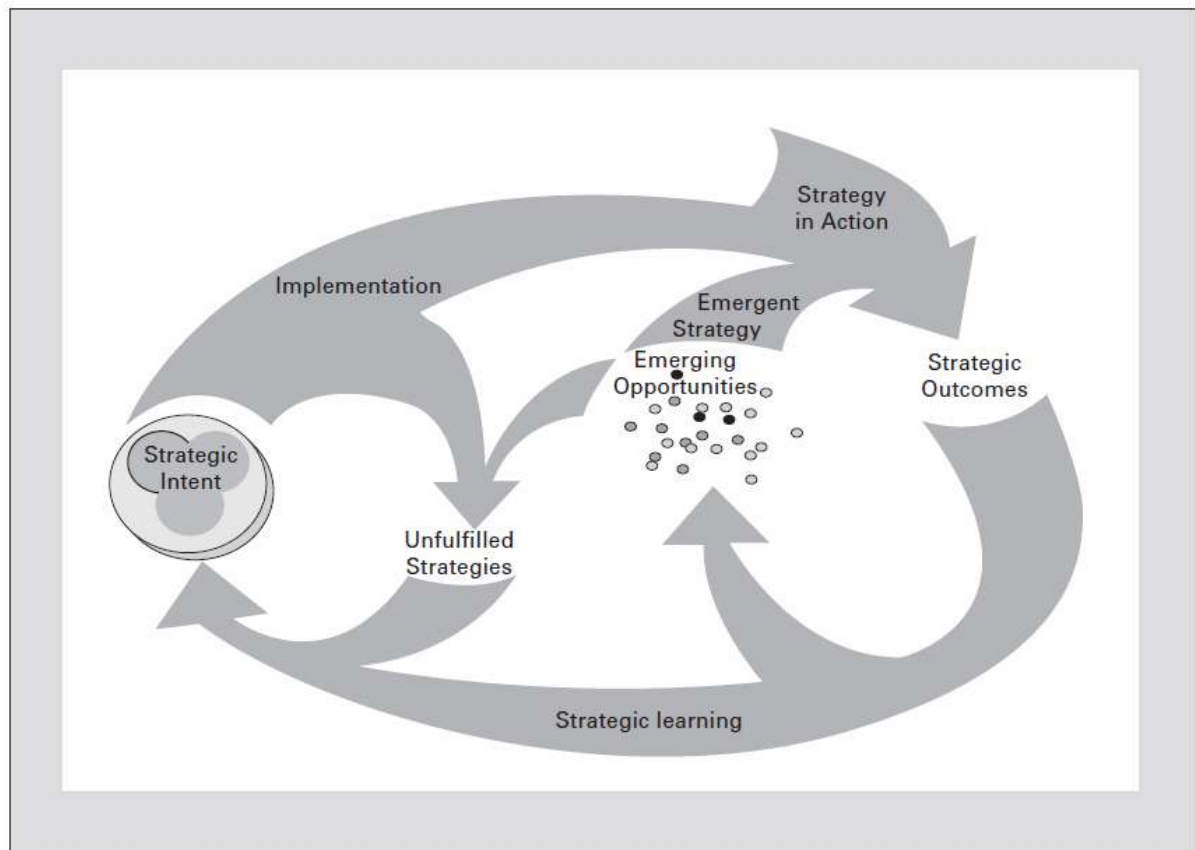
2.3.1 The Development and Elements of Emergent Strategy Formation

Mintzberg (1978; 1987), besides viewing strategy as a pattern, contends that strategy is crafted not planned. He argues that emergent strategies tend to exhibit a type of convergence in which ideas and actions from multiple sources integrate into a pattern. The author claims that emergent strategy fosters strategic *learning*, taking a step-by-step action and responding to issues, and a pattern eventually forms. Pascale (1984) and more prominently Senge (1990) both uphold strategic *learning* as core competences that companies should have.

Taking a different approach to *emergent strategy formation* from Mintzberg, Markides (1999) views strategy from the “positioning” approach rather than Mintzberg’s “perspective” approach. He described dynamic strategy as an on-going, never-ending, continuous revisiting, which challenges the current position while seeking new positions to conquer. He believes that companies must remain flexible and ready to adjust to new market conditions and feedback. Moncrieff (1999) developed an insightful model of strategy process dynamics (Figure 2.6) which includes strategic intention formation, aligning the action with the intent formed, and responding to emerging issues, while *learning* elements are embedded in all

three processes. The model also has most of the elements of emergent strategy process from Mintzberg and Waters (1982), Mintzberg (1994c), and Markides (1999) reviewed above. The essence of this model is that strategy involves '*learning*' and is a 'continuous' process.

Figure 2.6 Moncrieff's strategy dynamic process



Source: Moncrieff (1999, p. 274)

Another development in relation to *emergent strategy formation* is *strategic thinking*. Much of *strategic thinking* is described in Section 2.1.4.3, where Liedtka (1998) is often cited. This author lists five elements that comprise *strategic thinking*. Firstly, "systems perspective", which is a mental model of the complete system of value creation and its interdependency. A strategic thinker has to look externally beyond just the traditional industry context (Porter, 1980), to the whole ecosystem (Moore, 1996). Internally, Moore (1996) introduced the issue of 'fit', going beyond, corporate, business, and functional to the personal level and

understanding interdependencies across internal and external actors. The second element is “intent focused”. Liedtka (1998) included influential strategy theorists in the *strategic thinking* school as intent focused, from Prahalad and Hamel (1994). These authors criticised planning as “strategy as form filling” and proposed a thinking process called strategic intent. It implies a particular long-term goal on market or competitive position. This goal is also advantageous as it provides a vision for the organisation. These elements also mean that Liedtka’s *strategic thinking* follows Porter’s “positioning” approach rather than Mintzberg’s “perspective” approach. Therefore, while *strategic thinking* is listed under emergent strategy formation, the ‘positioning’ approach is an element of deliberate strategy formation.

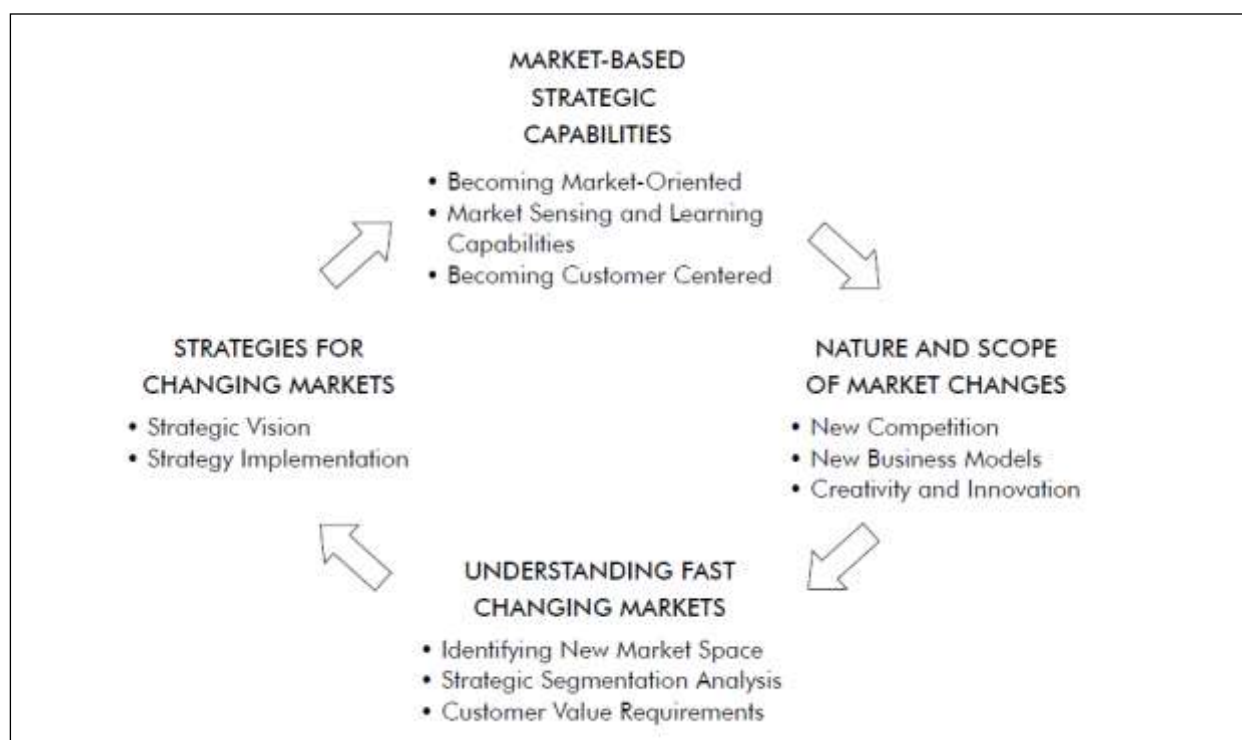
The third element in Liedtka’s *strategic thinking* is “intelligent opportunism”, which indicates that intention must be flexible and broad enough to leave open the possibility of new strategies to emerge. The fourth element is “thinking in time”. This means that *strategic thinking* needs to connect the past, present and future. It is not just looking into the intended future, but also thinking about what in the past needed to be lost or improved, and what presently needs to be created. This element is opposed to *deliberate strategy formation*, which looks to the past to extrapolate the future. The final element is “hypothesis-driven”. This is the scientific method that generates hypotheses and then tests them. It may sound that this is a very formal (deliberate) process, but Liedtka argues that this method encompasses a natural analytic-intuitive dichotomy, whereby hypothesis generating is the creative (emergent) process while hypothesis testing is the critical process.

Liedtka’s *strategic thinking*, as reviewed above, contains elements from both *emergent strategy formation* (intelligent opportunism, thinking in time, hypothesis generation) and *deliberate strategy formation* (strategic intent (positioning), hypothesis driven). This represents a broad definition of *strategic thinking* (O’Shannassy, 2003). O’Shannassy (2003, p. 54) distinguishes two groups of strategic thinking. Firstly, the narrow definition of strategic thinking as the “eastern, generative, creative, synthetic, divergent” thought process more associated with emergent strategy formation. Secondly, widening to a broader definition of *strategic thinking*, which includes “western, rational, analytical, convergent approach to problem solving” elements. The broader definition includes elements of the deliberate strategy formation process. In other words, the development of *strategic thinking* has moved from a process based on purely emergent strategy formation elements (narrow

definition), to a process that also accepts elements from deliberate strategy formation (broad definition).

Cravens. Piercy and Baldauf (2010) developed a framework for the *strategic thinking* process to be used in dynamic markets. This framework moves continuously on a cycle of four stages (Figure 2.7). The iterations of the cycle also suggest a *learning* element. The stages include market based strategic capabilities, nature and scope of market changes, understanding fast changing environments, and strategies for changing markets. The framework focuses on applying *strategic thinking* from a marketing perspective, similar to Ansoff (1965) when he first developed *strategic planning systems*. However, it also emphasises internal capabilities such as becoming customer-centric and creative and innovative.

Figure 2.7 Craven's, Piercy's, and Baldauf's (2010) strategic thinking framework



As mentioned previously in Section 2.1.4.4 on the paradox of *control* versus *chaos*, *emergent strategy formation* is viewed as emerging from *chaos* by Stacey (1993). The author described *chaos* as a form of instability where the specific long-term future is unknowable, yet an unpredictable new order can emerge through a process of spontaneous

self-organisation. These spontaneous self-organisations constitute a political and *learning* process when dealing with strategic issues. The author proposed steps to create order out of *chaos*, with elements from *emergent strategy formation* such as *learning*, encouraging self-organising groups, ambiguous challenges over clear long-term goals, and intuition. This indicates that emergent strategy formation is more suitably employed in a *chaos* organisation leadership style rather than a *control* organisation leadership style.

In conclusion, Mintzberg (1978; 1987) and Mintzberg and Waters (1985) were the first to approach strategy formation with the key revelation that formulated strategy intent does not necessarily mean realised strategy. Pascale (1984) and Senge (1990) then discovered the *learning* elements. In a separate development, Lindblom (1959) and Quinn (1972) developed different notions of incrementalism (Section 2.3.2). Of the two, Quinn's *logical incrementalism* is more consistent with the *emergent strategy formation* forefathers. Montcrieff (1999) developed a dynamic *strategy formation* system that takes into account all of the elements. Liedtka (1998) developed the often cited '*strategic thinking*' with five elements. Cravens. Piercy and Baldauf (2009) developed a model that resembles the emergent version of Ansoff's product-market model. Lastly, Stacey (1993) suggested that emergent strategy formation is more suited to organisations with a *chaos* organisational leadership style.

The literature reviewed above has identified learning, continuous (incremental), dynamic, eastern, generative, creative, synthetic, divergent and chaos as elements of emergent strategy formation. The effectiveness of these elements is largely unproven. The lack of specific, prescriptive logical steps as to how these elements can be employed has probably been a major impediment to the popularity and practicality of these models/concepts.

The processes of *emergent strategy formation* listed in Section 2.1.2, were incrementalism, *resource allocation process*, *cultural/symbolic* and political/generative. Below (Section 2.3.2 to Section 2.3.5) I will review the literature related to each of these processes while describing elements that also relate to them. The purpose of the review is to better understand each process in order for me to identify these processes when analysing the data collected.

2.3.2 Incrementalism

Cyert and March (1963) view strategy decision making from the behavioural theory perspective, challenging the rational model that strategic planning is rooted in. According to this theory, individuals and organisations can only achieve bounded rationality (Simon, 1957). One of the earliest challenges to the planned strategy approach came from the public policy making school. Lindblom (1959) believed complex social problems could only be solved by practising incrementalism more skilfully, and not turning away from it, due to the limited cognitive ability to be comprehensive. The author challenged the conventional scientific approach which he called “synoptic”, in acknowledgement of its aspiration to be complete. He further claimed that strategy is a fragmented process of serial and incremental disjointed decisions. He viewed strategy as an informal process of mutual adjustment with little apparent coordination, a process he called “muddling through”. Wildavsky (1973) suggested that in attempting to include the totality of organisation activity (similar to Lindblom’s “synoptic” approach), planning dissipates to nothing.

In management and business, Quinn (1978) started the emergent notion by developing an approach that he called “*logical incrementalism*”. The author recognised the value of the planning approach as a building block in a continuous stream of events that really determine corporate strategy. Because of cognitive and process limits, almost all of these subsystems – and formal planning activity itself – must be managed and linked together by an approach best described as *logical incrementalism*. This latter uses logic to proactively manage the “process” of strategy formation, which should be incremental in nature. The “content” of the strategy is not dictated by “formal logic” but “emerges” from the process. This approach differs from Lindblom (1959), who saw incrementalism as muddling and disjointed. It is a purposeful, effective, proactive management technique for improving and integrating both the analytical and behavioural aspects of strategy formulation.

2.3.3 Resource allocation process

Commitment – or rather the lack of it - is a major impediment to the implementation of strategic planning system (Mintzberg, 1994c). A number of authors (Guth and MacMillan, 1986; Mintzberg, 1990; Wooldridge and Floyd, 1990) proposed increasing the involvement of more organisational members rather than just top managers to mitigate such issues. Burgelman (1982) captured this theme by inducing autonomous strategic behaviour among middle managers and operating level organisational members. This leads to the *resource*

allocation process frequently associated with studies by Bower (1970) and Burgelman (1982), who took this one step further to apply it to complex multidivisional firms. Often called the Bower-Burgelman process of strategy making (Johnson, Scholes, and Whittington, 2008), realised strategy emerges incrementally rather than as part of a top-down plan. Strategy emerges as a result of how resources are allocated. The authors believe that a manager's cognitive limitations are unable to cope with frequent changes and uncertainties, so strategy should emerge from the outcomes of issues being addressed. Organisational members, rather than take orders from the top management, act like entrepreneurs with autonomous power to decide and act at whichever level they sit in the given organisation (Burgelman, 1992).

Goold and Campbell (1987) studied different styles of corporate *control* over their strategic business units. Levels of centralisation increase from one style to the next. The styles are: *financial control style*, *strategic control style* and *strategic planning style*. The *resource allocation process* can be related to the *financial control style*, where few activities are centralised. Business units are highly autonomous from the corporate centre (Goold and Campbell, 1987). Control is exerted through negotiating, setting, and monitoring financial objectives. There are thus similarities between the resource allocation process and financial control style.

Major decisions are made up of a multitude of small decisions taken by negotiating "discrepancies" across all levels of an organization. Often issues can arise from the business unit level or functional support levels, and therefore this process is viewed as less top-down than the strategic planning process where objectives are set at the corporate level and a functional unit's influence is limited (Chakravarthy and Lorange, 1991). The resource allocation process thus consists of a bottom-up strategy formation process in line with Stacey's (1993) *chaos* organisation leadership style.

2.3.4 Cultural/Symbolic

Johnson, Scholes and Whittington (2008) and Bailey and Johnson (1995) call strategy formation influenced by culture, the "cultural view" while Hart (1992) calls this form of *emergent strategy formation* process the "symbolic mode". DiMaggio and Powell (1983) found that cultural influences may be stronger in institutionalized regulated or coercive

environments. Malaysian Private HEIs faces such environments (Chapter 4). Originating from the field of organisational culture and change management, the relationship between culture and strategy is mainly based on books and publications from Brown (1998), Johnson(1987, 1992), and Schein (2004). In this strategy-making dimension, the leader practices the cultural style of leadership where strategy is driven by mission and a vision of the future (Hart, 1992).

The vision and mission often emerge from the cultural web of the organisations (Johnson 1987, 1992). Culture is often based on taken for granted assumptions and beliefs in an organisation (Johnson, Scholes, and Whittington, 2008). Top management's key roles include motivating and inspiring the organisation to greater heights. Symbols, metaphors and emotions are often also represented in *strategy formation* (Willner, 1984). A prominent sub-process under this form of *strategy formation* is crafting a long-term mission, which Prahalad and Hamel (1989) call strategic intent. Crafting strategy is an element of *emergent strategy formation*, as opposed to rationally planned (Mintzberg, 1994c).

2.3.5 Political/Generative

Johnson, Scholes, and Whittington (2008) identified the political view as one the *emergent strategy formation processes*. Bailey and Johnson (1995) also refer to this as the political dimension, based on Hart's (1992) generative mode. In this strategy mode, the direction of the company follows the internal entrepreneurship (intrapreneurship), suggesting a decentralised bottom-up approach as opposed to a centralised top-down approach in command systems. Top management adjusts the strategy to fit the patterns that emerge from below (Hart, 1992). New products and ideas emerge upward through employee initiative (Peters and Waterman, 1982). Top management or corporate offices are primarily involved in evaluating proposals to invest and bring forward (Mintzberg and McHugh, 1985). In this mode, organisations are also viewed as political arenas in which decision-making and strategy development are political matters (Pettigrew, 1973).

Strategy forms from within the social processes of organizations (Pfeffer and Salancik, 1978). Differences are resolved through bargaining, negotiation and compromise. Coalitions may be formed to pursue certain platforms, and information is viewed as power (Bailey and Johnson, 1995). In this process, external stakeholders can have greater

influence on the strategic intent, as groups and coalitions with linkages to external stakeholders can bargain and influence the direction of the firm (Pfeffer and Salancik, 1978).

Gunby Jr (2009) found that in constrained environments such as a highly regulated one like higher education, organisations that optimally adapt with bargaining and negotiating are essential in developing, maintaining and navigating the systemic linkages between various organizational stakeholders. These elements of the political dimension are even more important during dynamic (turbulent) periods.

The researcher in this section has covered the development of *emergent strategy formation* from the 1950's to present. The review is needed to understand the various elements of *emergent strategy formation*. Four *emergent strategy formation* processes were reviewed and described: incrementalism, *resource allocation process*, and cultural/symbolic and *political/generative* processes. These concepts are still evolving as contributors continue to debate and construct the elements and approach to *emergent strategy formation*. Without agreement on what emergent really is, empirical research is difficult, particularly given the problems methodological inconsistencies have created for formal planning researchers. Planners claim that these elements are too complex to learn and develop. Nevertheless, the emergent school have listed many advantages, especially in facing complex environments. There is still a lack of theoretical understanding of what emergent strategy is, and contemporary definitions are still being developed (O' Shannassy, 2004).

2.3.6 Evidence of emergent strategy and firm performance

Quinn (1978) was the earliest study to have found positive relationships between firm performance and levels of incrementalism. Most studies in this topic area in the last few years focus on the empirically finding Hart's (1992) five modes or Bailey and Johnson's (1995) six dimensions to firm performance. This involved empirically linking various strategy formation processes (some deliberate and some emergent) to firm performance (profit growth, sales growth, and stock performance). Building on Hart and Banbury (1994), a study found that firms that employ multiple *strategy formation* processes outperform those that that do not. Bailey, Johnson and Daniels' (2000) development of quantitative measurements of the six dimensions in Bailey and Johnson (1995) added reliability and

validity to the earlier qualitatively constructed dimensions. Brews and Purohit (2007) offered the first glimpse of evidence of emergent strategy and firm performance. The authors found that the performance effects of *generative planning* and *transactive planning* exceed those of *rational planning*. As mentioned earlier, *generative (political)* and *transactive planning (incrementalism)* are more related to the *emergent strategy formation* process whereas *rational planning* is associated with the *deliberate strategy formation* process. The authors went as far as suggesting that organisations intent on improving their performance would do well to concentrate on *generative planning* and *transactive planning*. Lastly, the authors concluded that firms that practice *generative planning* gain significant performance benefits; and they assume that firms that practice this also possess higher levels of innovation.

Many advocates of emergent perspectives, including Mintzberg (1994c), do not reject planning as a useful activity. Rather, planning represents the ‘intended’ strategy. This means that you plan to be incremental (Quinn, 1978). In short planning is an element of incrementalism. Lastly, because emergent strategy is difficult to define and still relatively undeveloped compared to planning, there are few conclusive studies that are quantitatively able to link the *emergent* process to economic performance.

2.3.7 Integrative Strategy Formation process - A synthesis of both Deliberate and Emergent strategy formation

A review of the most recent studies shows that their focus has not moved in the direction of finding empirical evidence for the link between *emergent strategy formation* and firm performance, but rather they have focused on the combinations of deliberate and *emergent strategy formation* processes that contribute to firm performance in a given context. This approach is driven by Hart’s and Banbury’s (1994) influential study, which found that multiple strategy formation processes increase competitive advantage. It is thus worthwhile researching various combinations for different contexts. While my thesis does not seek to find empirical evidence for Private HEI performance, I do seek to synthesise from the study what strategy processes (both deliberate and emergent) are practiced and to assess the practitioners’ own perceptions of whether they are effective processes. While this approach lacks reliability, it will assist further empirical research based on the dimensions found in this study.

As mentioned, most recent studies on *strategy formation* processes focus on combinations of *strategy formation* processes to be employed or learned, and their contextual environment. Some authors call this the integrative *strategy formation* process (Anderson, 2004a, 2004b; Lavarda, Giner, and Bonet, 2009). These authors also found that organisations that integrate elements from both deliberate and *emergent strategy formation* return higher performance resulting from more effective management of work.

Lavarda, Giner, and Bonet (2009) found that, in professional contexts such as institutes of higher learning, permitting a greater degree of participation facilitates an improvement in organisational results. Gunby Jr (2009), studying the healthcare industry which is highly constrained like Higher Education in Malaysia, found that organizations utilizing a joint *strategy formation* process combining enforced choice and the political dimension could exhibit appreciable performance advantages over firms that do not employ this combination. The author further explains that this combination of processes can be difficult to imitate and could be a source of competitive advantage (Barney, 1991) - which suggests that firms in the healthcare industry should invest in such strategy formation processes.

Canet-Giner, Fernandez-Guerrero, and Peris-Ortiz (2010) performed a case study on a non-profit service organisation facing a complex and turbulent environment. The authors suggested combining a bottom-up approach (resource allocation process/political/generative) and strategic planning process. In addition, a decentralised organisation structure was proposed. Lastly, Ghazinoory, Khotbesara, and Fardoei (2011) performed a case study on six Iranian manufacturing firms and found that cultural, political, strategic leadership, and incremental processes were effective. They also suggest that the sector should utilise strategic planning processes.

In conclusion, the four recent studies above of Gunby Jr (2009), Lavarda, Giner, and Bonet (2009), Canet-Giner, Fernandez-Guerrero, and Peris-Ortiz (2010), and Ghazinoory, Khotbesara, and Fardoei (2011), performed in different industries and contexts, all suggested the political/generative process was present. All the authors also proposed that such emergent strategy formation processes be combined with a deliberate strategy formation process, such as strategic planning, enforced strategy, and strategic leadership.

My research will approach the *strategy formation* topic in the context of Malaysian Private Higher Education in a very similar way to these recent studies. This will contribute to understanding strategy formation processes in the sector (HEI) and country (Malaysia), in addition to suggesting specific effective processes to be employed.

2.4 Strategic Management at Higher Education Institutions

The following literature is focused on strategic management in the higher education context worldwide. Through keyword searches, relevant studies were found from several countries including the United Kingdom, Australia, North America (US and Canada), Spain, Italy, and Portugal. The contexts of these various countries may be different from Malaysia. However, the review's purpose is to identify similar patterns in different countries with regard to how they relate to *deliberate* versus *emergent strategy formation* perspectives at HEIs. There is a significant amount of research available on strategic change and strategic management within the HEI sector, as countries mostly in the western world started reforming their higher education sectors (Pollitt and Bauckaert, 2000), and some of this has links with and insights into *strategy formation*. These reforms have typically involved greater autonomy on strategic decisions, a trend that the Malaysia Higher Education sector is going through as well (Sirat, 2010).

Some key differences between the institutions studied in the following review are that Malaysian Private HEIs were less research focused, more profit-driven, smaller in size, more entrepreneurial, and privately held. Higher Education Institution (HEI) by definition in this study means any institution offering post school, tertiary level education.

2.4.1 Deliberate/strategy planning in higher education

Many authors, particularly in the west, have criticised the lack of strategic planning in the higher education sector. Cullen, Hassall, Joyce and Broadband (2003) suggested that HEIs should borrow performance monitoring systems (a strategic planning process) from the private sector. In Portugal, where Private Higher Education Institutions have no pedagogical autonomy, Amaral and Magalhous (2001) found that Portuguese HEIs do not do strategic planning. Malaysian Public HEIs may find much to identify with in the study. Machado, Taylor, Farhangmehr and Wilkinson (2005) conducted a survey among Portuguese HEIs and concluded that planning was important. In the UK, the Jarratt Committee, commissioned by the Committee of Vice Chancellors and Principals, cited in Groves, Pendlebury and Stiles (1997), criticised the UK's older universities for their lack of strategic planning.

Conway, Mackay, and Yorke (1994) also criticised the UK's "new" universities for their lack of customer-oriented planning. The authors claimed that these institutions were ill-prepared to respond to the increasingly competitive environment that the Education Reform Act 1988 had placed them in. They noted that the needs and wants of customers in higher education were complex, and further understanding and planning to address their needs was required. Buckland (2009), however, criticised these studies in the UK, including funding councils, for relating *strategy formation* to strategic planning. The focus of these studies seemed to be to measure how much strategic planning process was employed, and they did not take into consideration other forms of *strategy formation* process. The author also challenged the assumption of these studies that strategic planning links to performance among universities in the UK.

Meyer (2002) recommends a shift to more comprehensive *strategic planning systems* for higher education institutions as the environment becomes more dynamic. The author mentions the need for central administrators of universities to identify their vision and aspirations, their core competencies, 'long-term mission, and short-term goals as they identify key competitors and allies' (Meyer, 2002, p.540). The author proposed a centralised *strategic planning system* over collegial form of decision making. Meyer (2002) also does acknowledge that academic institutions are becoming more business-like where budget, control and target systems are requested from the departments and faculties. Allocations of funding are contingent on these negotiated targets being met.

West (2008) wrote about his experiences as Director of Student Services at Sheffield University. While he explored both the deliberate and *emergent strategy formation* processes, his conclusions, drawing from his own *strategy formation* and implementation processes, lean towards the deliberate perspective. These studies by Meyer (2002) and West (2008) have higher relevance for public HEIs than private HEIs, where strategies are less 'enforced' by the government and national policies. However, understanding the strategy formation process and the dynamics of public HEIs will help us to understand the management of HEIs in general (public and private).

2.4.2 Emergent strategy formation in higher education

Studies of emergent strategy processes in higher education have been mostly outside the UK (where the study of strategic planning has been dominant) (Buckland, 2009). This includes North America, continental Europe and Australia.

Buckland (2009) found many studies in North America and continental Europe have found evidence of change at the strategic level in universities, though they also suggest that a strategic planning, 'academic capitalism' model is a poor tool for the understanding of strategy and change (Bleiklie and Kogan, 2007; Meister-Scheytt and Scheytt, 2005; Navarro and Gallardo, 2003). That evidence rather shows change to be 'accidental and chaotic', encompassing elements of emergent, incrementalism and muddling through (Meister-Scheytt and Scheytt, 2005, p. 88). Therefore, the authors above advocate a combination of strategic planning and logical incrementalism (emergent strategy formation process).

Australian universities have a significant presence in the Malaysian higher education market. Some researchers have studied strategic management issues for Australian universities when venturing into international markets like Malaysia. These studies have concluded that Australian HEIs with successful international operations in Malaysia have taken a more entrepreneurial/emergent approach to entering this market. Poole (2001a, 2001b) listed among the critical success factors decentralization, which means giving schools and deans the autonomy and flexibility to make decisions relating to these international ventures. These elements suggest that Poole advocates the resource allocation process, an emergent strategy formation process. Poole's leanings towards entrepreneurialism, which has many elements consistent with the emergent formation process, have been supported by some authors, notably Sporn (1996). In her book entitled *Adaptive University Structures*, she stresses the importance of an institution's adaptability to its environment. Further suggestions have been made that entrepreneurialism is key to adaptation to the environment (Clark, 1992; Davies, 1987; Sporn 1996). Poole's, Sporn's, Clark's and Davies' entrepreneurship seems to come from an adaptability perspective, complementing Mintzberg's and Westley's strategic visioning. Davies (1987) and Clark (1992) suggest a shift to more active 'management', with the maintenance of 'bottom-up' strategy formation through the systemic devising, resourcing, implementing and delivering of visionary strategy. I conclude that the entrepreneurialism advocated by Clark (1992), Davies (1987), Poole (2001a, 2001b) and Sporn (1996) support the employment of both deliberate

(strategic vision) and emergent (bottom-up, incremental, adaptability) *strategy formation* for HEIs.

Mintzberg (1979) asserts that universities best fit the model of the "professional bureaucracy". Professional bureaucracy was described by Mintzberg (1979) as a bureaucratic organization without being centralized. Professionals have control of their work and work independently, while bureaucracy is achieved from training and the internalization of a set of procedures. This study, although over 30 years old, influenced later studies that Mintzberg was involved in with other authors. Mintzberg and Rose (2003, p. 284), from their study of McGill University's strategies over a period of 150 years, describe the university as a setting in which,

"... highly trained experts carry out work that is complex but rather stable, established through professional training. This enables the operating work to be "pigeonholed", that is, divided up, with each portion attributed mostly to individual professionals who can work free of the need for much adaptive mutual adjustment with their colleagues."

They go on to refer to this as "loose coupling' with a vengeance", and this allows for the meeting of 'the common interest of collegiality' with 'the self-interests of politics'. Collegiality from the strategy formation process perspective is related to the *cultural/symbolic* process, and politics is related to *political/ generative*. They therefore advocate an emergent strategy formation process for universities.

The *strategy formation* processes of universities and professional institutions are well known to possess elements from the generative mode (Cohen, March, and Olsen, 1972). This is because these organisations are filled with professionals at the organisational level. Tushman and Nadler (1986) noticed that in this mode, new strategies emerge when innovation activities are separated from day-to-day operations. In the context of HEIs, for example, research or programme development may be separated from teaching and *learning*. Hart (1992) describes the role of top management in this mode as to encourage experimentation and risk taking in to the organisation.

In a more recent longitudinal case study of a university in Italy, Arnaboldi and Azzone (2005) reported how the elements of incrementalism and *emergent strategy formation* successfully transformed the university towards a new strategy in responding to and seizing the opportunity of the increased autonomy offered by the reform of the higher education system. The university went through a holistic change in all areas including teaching, research and administrative; more significantly, the authors attributed this success to the key element of incrementalism. The initial intentions of the top management were not implemented due to the possibility of resistance within the organisation. The top management instead tested out different solutions, incrementally searching for the most suitable configurations. “Irrational” resistance from academic staff, described by previous research (Groves, Pendlebury, and Stiles, 1997), was prevented as the strategy was not planned and imposed from the centre. The authors called this process the “processual interpretation of strategic change”. Lastly, a case study on the integrative strategy formation process in a Spanish university was published by Barbosa, Canet-Giner, and Peris-Bonet (2010). The study found that the university employed a combination of strategy formation processes (integrative strategy formation). The authors concluded that the involvement of middle management in the strategy formation process was important, suggesting a political/generative mode.

In conclusion, the studies above found that HEIs employ a combination of strategy formation processes, known as an integrative strategy formation process. Emergent strategy formation, including incrementalism, political/generative, and cultural/symbolic processes, were found to be important processes at HEIs. These studies, viewed individually, may lack generalisability, but the diversity of cases involving universities in several countries increases the generalisability of the findings.

2.5 Strategic Management in the Malaysian context

There are very few studies linking strategic management in general to the Malaysian HEI industry. My efforts in identifying literature found mostly those focused on historical development, policy implications and how Malaysian higher education as a service subsector has evolved (Sivalingam, 2006; Lee, 1998; Tan, 2002). Nevertheless, there are several studies linking *strategy formation* to Malaysian firms in general (not specific to HEIs). Drawing from Hofstede (1994), who argued that culture is a dominant factor in decision-making styles, some studies that draw upon Malaysian corporate culture and overseas Chinese characteristics will be reviewed in this section. The reason for reviewing the overseas Chinese is because many Malaysian Private HEIs are owned by ethnically Chinese Malaysian entrepreneurs (Section 4.2).

Rosner and Kleiner (1998) performed a comparative study of Malaysian management techniques versus the United States. The authors state three factors that contribute to management methods being different to those used in the United States. Firstly, the fact that Malaysia is a developing country and is progressing through stages of complexity and technology. Secondly, most Malaysians are poor rural farmers, and therefore do not have highly developed management skills. Lastly, Malaysia is predominantly a Muslim country, which influences approaches and attitudes in its economy. The second point may not be valid today as Malaysia, fuelled by open trade and economic growth, has a high share of its population in urban areas with thriving manufacturing and oil and gas sectors. UNICEF (2011) reported that, in 2009, 71 percent of the Malaysian population was urbanised. For the same the year, agriculture only made up 7.7% of the Gross Domestic Product (Ministry of Finance, 2011).

The authors reported that an increasingly popular planning method in Malaysia is called “Cascade of Plans”. This is a top-down strategic planning approach, where planning occurs at different levels of management to meet different goals. At the top management level these could be general goals, at middle management level specifics to help achieved these general goals, and so on. Therefore, in this method authority to plan is empowered downwards to lower level management and change can be dealt with quicker and more effectively. This type of planning process more resembles a combination of *strategic planning system* and *resource allocation process* in *emergent strategy formation* rather than

deliberate planning. The authors conclude that Malaysian managers in all sectors, because of forecasting inaccuracy (due to lack of quality information), are encouraged to plan without forecasts or, if they have these, often use poor forecast. The authors also note that there was less planning in the 1980s and 1990s than before. They also report the Malaysian viewpoint that the world is too complex and hostile, and that a company should therefore not have more than three strategic matters to be planned in detail.

Many Malaysian Private HEIs are led by Malaysian ethnic Chinese today – who as a group make up 30 percent of the total population and hold a 60 percent share of the economy in Malaysia (Redding, 1995; Kohut and Cheng, 1996). In a book published by the Malaysian Institute of Management entitled *Strategic Management in Malaysia*, Lim (2001) mentions that the philosophy of Sun Tzu, *The Art of War*, is the favourite among the “intellectual” business elite in Malaysia. This Chinese military classic, purportedly written in the sixth century BC, has influenced not only Eastern military strategy but also business strategy and tactics in Malaysia. Khoo (1992) describes five fundamental factors and seven elements in Sun Tzu’s *Art of War*, and concludes that it relates to the entire strategic planning process from determining the corporate mission, analysing situations, deciding on the options generated, implementing strategy and monitoring results. However, many elements in Sun Tzu’s philosophy that relate to implementing strategy – which include deception, secrecy, flexibility, speed and timing (Khoo, 1992) – are tactical in nature, and therefore, taking Ackoff’s (1970) distinction between strategy and tactics, are not relevant to this study.

A review of topics relevant to strategy formation from the book translated by Wee (2003), records that the philosophy has elements of “positioning”, using analytics and calculations to assess the environment (elements of *deliberate strategy formation*). Sun Tzu also utilises the subjective beliefs of other competitive actors in the environment. Subjective beliefs can be linked to the *cultural/symbolic* process of *emergent strategy formation process*. Springing unplanned surprises is one of the main thrusts of the philosophy, which requires fast and appropriate responses to the changing environment (Khoo, 1992). Therefore, the Sun Tzu philosophy has elements of both deliberate planning (positioning) and emergent (reaction and cultural).

One of the most prominent entrepreneurs in Malaysian history is Tan Sri Lim Goh Tong. Tan Sri Lim founded the Resorts World Group, one of the largest casino operators in the world.

Lim (2001) reflected on Tan Sri Lim's response when frequently asked, "When are you going to complete the Genting Highlands?" (A major casino resort on top of a mountain 2000 meters above sea level surrounded by lush jungle). The founder always gave a hearty laugh in response. Upon working with Tan Sri Lim for many years, Lim (2001) found that the founder was always changing his plans and never knew when it was going to be completed. The description of changing plans and not knowing when a project will be completed are elements of an incremental strategy formation process.

Drawing on literature that studies the overseas Chinese network, Haley (1997) contends that an important characteristic that distinguishes the overseas Chinese (Malaysian Chinese included) from local companies operating in Southeast Asia is that managers tend to use subjective information as inputs to decision making. These elements relates to O'Shannassy's (2005) narrow definition of *strategic thinking*, which is an *emergent strategy formation* concept is and fits in with one of Sun Tzu's approaches. Some authors have found speed in decision making as a success factor for overseas Chinese network businesses (Haley and Tan, 1996; Redding, 1995). This again can be related to Sun Tzu as unplanned surprises.

Haley and Tan (1996) describe the lack of information on the external environment in Southeast Asia (Malaysia included) as posing a serious challenge to traditional forms of strategic planning. The authors instead suggest holistic/intuitive decisions and the importance of hands-on experience. Haley (1997) argues that the absence of information required in *strategic planning systems* actually helps overseas Chinese network leaders to prosper. Their decision making style maintains secrecy on sources of information – which makes it difficult for competitors from outside the network, who do not have this insider information and contacts, to compete. Haley (1997) also concludes that the overseas Chinese network strategy-making process most fits Mintzberg's process, which include elements like emergent, and collective behavioural patterns by employees in reaction to external changes. This fits the *cultural/symbolic* process. Many overseas Chinese network founders have little management education, so their 'soft data' is drawn from experience, advice and perception. Patterns emerge from these holistic soft data, in other words "pattern" as opposed to "positioning" – an element consistent with the *emergent strategy formation* concept (Mintzberg, 1994c). Studies by Haley (1997) on overseas Chinese, and

Haley and Tan (1996) on businesses in Southeast Asia, therefore support the employment of emergent strategy formation processes.

Ghosh and Chan (1994) studied strategic planning behaviour among emergent businesses (SMEs) in Singapore and Malaysia, and concluded that SMEs in these countries seem to take corporate goal setting somewhat informally, but those who take it more seriously seem to perform better than those who do not. Information seeking and its input to the planning process were informal, suggesting entrepreneurial organisation behaviour (Mintzberg, 1979). Management acknowledged the need for strategic planning, but more in an *ad hoc*, logical, incremental fashion rather than in a comprehensive way. Planning activities were classified as reactive. Lastly, strategic planning was overshadowed by operational/administrative planning.

Hashim and Zakaria (2007) tested the importance of *strategic thinking* elements on Malaysian SMEs. They empirically concluded that insight, foresight, focus and creativity were the most important *strategic thinking* elements for Malaysian SMEs. Low (1984) performed an exploratory study of locally owned Singaporean SMEs and Singapore-based US multinationals. The author reported that locally owned Singaporean SMEs were less systematic, less comprehensive, and took shorter term horizons in planning. Ghosh and Chan (1992) found that most Singaporean owner-managers' planning processes were informal, more reactive and less comprehensive. The authors also found that significant business leaders exhibited strategic consciousness more under circumstances of uncertainty. Planning was activated as a response to external stimuli. These findings support Grinyer, Al-Bazzaz and Yasai-Ardekani's (1986) and Kukalis' (1991) studies of the linkage between planning extensiveness and unstable environments reviewed in Section 2.2.1.3.1.

Although there are criticisms about generalising national business cultural identities (Ailon, 2008), reviewing Hofstede's (2001) cultural dimension in Malaysia may be useful. Malaysia ranks highest among 64 countries in a study of power distance – indicating that there is a wide gap between Malaysian firms that have power and those that have less. Among other dimensions, Malaysia's culture is comparatively more collective versus individualistic, slightly masculine, and has high avoidance of uncertainty. Relating these dimensions to the cultural *strategy formation* process, the high power distance may indicate that this could be

influenced by the culture of the top management and not the whole organisation.

Malaysians' dislike of uncertainty, when applied to the *cultural/symbolic strategy formation* process, may also favour risk-adverse strategic intent.

In conclusion, Malaysian managers face an environment that is dynamic, uncertain, and in which information is scarce. Managers make reactive and incremental decisions based on subjective/intuitive information in this environment. Malaysia is also a collective culture where the cultural/symbolic may be more effectively employed. In sum, strategy formation in the Malaysian context is more *emergent* than *deliberate*.

2.6 Conclusion

In this chapter, I have introduced the definition of *strategy formation* and its two diametrically opposed processes of *deliberate* and *emergent*. The rest of Section 2.1 was devoted to linking other strategy concepts to deliberate and *emergent strategy formation* processes respectively. In Section 2.2, I have reviewed the development of *deliberate strategy formation* and the processes related to this perspective. They include *strategic planning system*, *externally imposed strategy*, and *strategic leadership*. This was followed by an attempt to relate this to firm performance – which concluded that, despite several methodology consistency challenges, strategic planning does contribute to firm performance (Section 2.2.1.6). Contextual environments that are important moderators linked to the use of deliberate planning and firm performances were also reviewed (Section 2.2.1.7 to Section 2.2.1.9). These moderators included: stability of environment (Section 2.2.1.7), firm size (Section 2.2.1.8), and organisation structure (Section 2.2.1.9). This section concluded with criticism of the deliberate process, citing many researchers who are sceptical about this (Section 2.2.1.10).

Section 2.3 began with the development of *emergent strategy formation* (Section 2.3.1). I then reviewed literature that relates to the processes of *emergent strategy formation*, notably incrementalism (Section 2.3.2), *resource allocation process* (Section 2.3.3), *cultural/symbolic process* (Section 2.3.4) and *political/generative process* (Section 2.3.5). This was followed by limited empirical studies that link emergent strategy to firm performance, although the latter studies focused on combinations of various strategic formation processes that contribute to performance (Section 2.3.6 & 2.3.7).

Sections 2.3 and 2.4 relate to the contextual environment of the study, Higher Education (Section 2.3) and Malaysia (Section 2.4). Section 2.3 recorded that most researchers found that Higher Education Institutes worldwide do not do enough planning as they are reforming. Yet there are studies that show the importance of *emergent strategy formation* to successful transformation in Higher Education Institutes. Section 2.4 showed that, due to the environmental factors Malaysian managers/business leaders face like lack of accurate information, Malaysian organisations tend to be more emergent than their western counterparts.

This review has been critical, bringing studies from different perspectives, sectors and countries in four continents, and linking them into the Higher Education and Malaysian contexts. It allows a deeper understanding of strategy formation and contexts. In the next chapter, this researcher will describe the research philosophy, methodology and methods applied in this thesis.

Chapter Three Research Philosophy, Methodology and Methods

3.1 Introduction

Before describing and defending the research approach that I will be taking in this thesis, an evaluation of factors that influence the research approach taken have to be considered. There are several important considerations to be taken into account before settling with the ontology, epistemology, theoretical perspective methodology and method chosen. Firstly, the approach chosen has to be consistent with the nature of the research questions and objectives. Secondly, I offer a critical literature review and evaluation of research philosophies and methodologies from published research in strategic management and organisational research. Thirdly, my biography and philosophical beliefs as a researcher are important, especially if a constructivist or subjectivist epistemology is taken in this post-modernist era. Fourthly, practical considerations such as access to data, the nature of where the information resides, type of information available, and ethical considerations will influence the research approach taken, especially with methods to be employed. The fourth factor will be discussed in later sections (Sections 3.2.2 and 3.4), while the first three will be discussed in the next section. The above four factors will be jointly considered when deciding on ontology, epistemology, theoretical perspective, methodology, and methods. No specific hierarchy was used when deciding the chosen ontology, epistemology, methodology and methods, although I will present the five factors in the order I have listed them. The five factors were constructed to fit the four factors presented. In the latter part of this chapter, I will explain the chosen ontology, epistemology, theoretical perspectives, methodology and methods and how they fit together.

3.1.1 Research Questions and Research Objectives

Among the most important factors to be considered when evaluating a research philosophy, methodology and methods are the research objectives (research aim) and research questions. To recap, the research sub-questions for this thesis are:

1. How are strategies formed in the Malaysian Private HEI industry?

2. How do the approaches employed in the *strategy formation* fit in the deliberate and emergent continuum?
3. Why are these actions taken? Key reasons behind either deliberate versus emergent actions.
4. From the industry leader's perspectives, are these actions effective in meeting their strategic objectives?

The first three questions are: how and why research questions were developed? This indicates that the nature of these questions is open-ended and the answers are not prescribed in a list of choices. The objective is to identify what strategy formation processes were employed and to identify the reasons that these processes were employed. The first questions are towards a historical account of their individual experiences in organisations within the industry (Malaysian Private HEIs).

Question two could not be asked directly of the subjects, as interpretations are needed to fit the information gathered along the deliberate and emergent continuum. The interpretations rely on the knowledge and construction by me, based on the information gathered from question one combined with the literature reviewed. If the subject is familiar with the deliberate versus emergent dichotomy, a discussion could be opened to probe further. Question three is exploratory and refers to the answers to question one. Given that answers to question one will all be different as all subjects will have different individual experiences, the lines of inquiry for the following question will all be different. The final question aims to verify from the subject's perspective whether their actions described were effective. The subject's perspective, unless empirically proven to link to measurable dimensions such as firm profitability, is information/knowledge based on the subject's experiences and does not necessarily represent objective reality.

There is strong contextual element to the research questions and research objectives. The industry being studied (Private Higher Education) in the country (Malaysia) is a unique context for strategic management, not to mention *strategy formation* more specifically. I found no other studies that dealt with *strategy formation* in this unique context (hence the research gap mentioned earlier). The research questions are also primarily inductive in nature, where information collected will be used to inform the theory, which is from the literature reviewed. In addition, while strategic planning is a well developed theory where

many studies try to link the activity to firm performance, studies on *emergent strategy formation* are still in the developmental phase. I would categorize most studies on strategy planning as seeking to 'explain'; whereas *emergent strategy formation* seeks to 'understand'.

This research is not about strategic planning per se, but a synthesis of elements from opposing poles of deliberate and *emergent strategy formation*. Referring to Section 2.1.3, I mentioned that the paradox of deliberate versus emergent will be viewed from opposing poles. This paradox allows the theorist or problem solver to cope with a problem without needing to arrive at a definite answer. Following Poole's and Van de Ven's (1989) *dialectical inquiry*, theorists have to live and accept this paradox and try to find common themes and solutions that can bridge across it. This is ontologically realist and epistemologically constructionist (Fendeli, 1990). Ontologically realist, because the researcher accepts the paradox even if it may be incomprehensible. Epistemologically constructionist, as it may be most appropriate to construct a conciliatory solution/meaning which accommodates both sides of the paradox, requiring creative and innovative thinking to produce a multifaceted solution.

The research objectives are not to look for the objective truth, therefore the findings of the study will not be generalisable. Further research will have to be performed for the findings to achieve further validity, especially externally. Rather, the research seeks to understand and construct from the individual experiences stemming from various organisational contexts.

In conclusion, the research questions, research objectives and *dialectical inquiry* of the research fit certain ontology, epistemology and theoretical perspectives. The research questions fit the *interpretivism* theoretical perspective. The objective of the research is to construct elements of *strategy formation* that are efficient and effective, linking to a pragmatist theoretical perspective. 'Efficient' is defined as cost effective implementation, and 'effective' means resulting in higher profitability, sales, or stock prices. I am seeking to construct the subjective meaning of social action. Epistemologically, the research objectives and the employment of *dialectical inquiry* are constructionist, where social phenomena are continually changing in the light of the changing context and theory advancement. The research objectives also inquire about the subject's understanding of phenomena experienced collectively within the industry. Therefore, the more specific epistemology that informs the study is *social constructionism*, where knowledge is understood individually and

not collectively within an organisation (Crotty, 2003). *Social constructionism* is also uncritical about culture (Crotty, 2003). The pragmatist theoretical perspective fits this epistemology. In this research, 'uncritical of culture' means embracing and understanding in the context of Malaysian Private Higher Education. Being uncritical about culture and understanding *strategy formation* in its context is therefore ontologically relativist.

3.1.2 Literature Review of Management Research Philosophy

Crotty (2003) suggests attending to recognised methodologies and their theoretical underpinning before a methodology is picked for research. Accordingly, in this section, I will review the methodologies and research philosophies that have dominated published strategic management and organisational research literature.

Firstly, let us review the research approaches discussed in the literature reviewed for the present study (Chapter 2). The epistemology applied to studies relating to deliberately planned perspectives was mostly positivist. Brews and Hunt (1999) conclude that subjective perceptual data is problematic in qualitative studies while claiming that content analysis is impractical. Most of the empirical studies reviewed with the objective of validating the notion that strategic planning is linked to firm performance were quantitative. However, this approach was applied after strategic planning was developed. The forefathers of strategic planning like Ansoff (1965), and Steiner (1979) developed these models through researching a specific organisation or a few organisations. The models developed were built on earlier studies and models, at times from other schools of social science such as policy research. The data collection and observations were exploratory and qualitative in nature, and the theory constructed was then empirically tested. Mintzberg's studies that relate to *emergent strategy formation* (Mintzberg and Waters, 1985; Mintzberg, 1994) were largely based on longitudinal case studies. The use of the longitudinal case studies is also found in much of the literature reviewed (Poole and Van de Ven, 1989; Pettigrew, 1985a, 1985b, 1990; Van de Van, Angle and Poole, 1989). Thus the case study approach is an accepted research approach when the research objective is developing strategy formation processes.

Johnson, Buehring, Cassell, and Symon (2006) explained in detail four typologies of management research, which they labeled as positivism, neo-empiricism, *critical realism* and post-modernism. The latter two will be reviewed further in later sections. The post-

modernist approach, which not only rejects the existence of social reality but also reality outside the observer, is questioned. An advocate of relativist ontology and constructionist epistemology, Sminia (2009) concluded that not much of *strategy formation* research was taking the post-modernist approach so far. Therefore, if this thesis takes this perspective, it will be a rather new research philosophy towards *strategy formation*. Sminia (2009) explains the advantages of taking the post-modernist approach to *strategy formation* research. This approach could find 'taken for grantedness' management research, such as challenging and deconstructing the linkage between management actions, competitive advantage and firm performance. Referring back to research Question 4 ('From the industry leader's perspectives, are these actions effective in meeting their strategic objectives?'), the post-modernist approach may be able to deconstruct the perceived effectiveness that may contradict empirically proven linkages to firm performance. For example, strategic planning is taught in business programmes as effective strategy formation process. This may lead to the interviewees perceiving that the process is effective in all sectors and all countries. Yet this perception may be inaccurate. Probing deeper on how the process is effective in the Malaysian Private HEI sector may reveal whether the perception is inaccurate.

Sminia (2009) discussed researching the *strategy formation* process. The author does not view the process as researching cause and effect, where an outcome is caused or explained by some independent variable. The author proposes rather looking at the *strategy formation* process as events that lead to an outcome. Miller and Friesen (1982, p.1020) describe strategy as something that "...can best be understood by tracking it over time". This is looking at behaviour rather than condition or causation (Sminia, 2009).

Mintzberg was purportedly the first researcher to start asking the 'how' questions in strategic management, with information collected from observation, semi-structured interviews and document analysis, in order to be as descriptive as possible (Sminia, 2009). The employment of in-depth, contextual, qualitative longitudinal case-based work in a broad range of organisational settings seems to be the approach of choice when developing and constructing new theories (Bailey, Johnson, and Daniels, 2000). Sminia (2009) calls this type of research 'tracking strategy'.

Given the context-driven approach of the research objectives, Pettigrew, as the father of the contextualism approach in strategic management, relies mostly on qualitative data from

multiple sources with quantitative methods employed when appropriate (Sminia, 2009). Pettigrew (1990) believes that some amount of deduction helps in guiding the researcher from preconceived notions in inductive approach studies. The truth generated from such an approach is true to the particular context and time of the investigation (Pettigrew, 1985b). The latter researcher's approach to finding answers to his research questions, referred to as 'generative mechanism', involves identifying and linking relations without needing to understand the underlying phenomena. Contextualism does not fit with generalisation, but the author advocates a multiple-case approach or polar cases in order to single out the underlying process logic (Pettigrew, 1990; Pettigrew and Whipp, 1991). Sminia (2009) concluded that Pettigrew's contextualism was informed by critical realist ontology and relies on the structuration-like theories of Giddens (1979). Structuration-like theory sees social processes as resulting from actions that are bound by a social structure but also have the effect of reproducing and changing the given social structure (Sminia, 2009). This is epistemologically *constructionism/constructivism*. Pozzebon (2004) found that a lot of *strategy formation* process research has relied on structuration-like theory. Pettigrew's polar cases bear a resemblance to this study's *dialectical approach*, as proposed by Poole and Van de Ven (1989), which is also a methodological approach of this thesis.

Van de Ven (1989) introduced Glaser and Strauss's (1967) grounded theory approach to *strategy formation* studies. Raw data was coded into events, and theoretical interpretations were based on the events, and arranged chronologically. Statistical analysis was then employed with the aim of establishing causal patterns, while the methodologies were constructed with internal validity and reliability in mind (Sminia, 2009). For this reason, I consider Van de Ven's (1989) approach to be ontologically realist and epistemologically positivist.

Lastly, most examples of research employing integrative strategy formation (Section 2.3.7) have taken the critical realism approach (Gunby Jr, 2009; Lavarda, Giner, and Bonet, 2009; Canet-Giner, Fernandez-Guerrero, and Peris-Ortiz, 2010; Ghazinoory, Khotbesara, and Fardoei, 2011). However, a recently published study of an integrative strategy formation process by Barbosa, Canet-Giner, and Peris-Bonet (2010) employed a post-modernist/qualitative approach. The context of the study was also closer to my research topic as it was researched on a Spanish university (HEI sector). In sum, there are examples

of the post-modernist approach being employed in the framework of integrative strategy formation research.

Based on the literature reviewed above, the research philosophies could be divided into two approaches. First, an approach to test theories that are developed, which Merton (1967) calls theories of the middle range. Second, theories which operate at a more abstract and general level, such as strategic planning and emergent strategy, are developed. Merton (1967) calls these grand theories. Closer to organisational and strategic management research approaches, there is an ongoing epistemological debate between the constructivism and *critical realism* approaches to research. Mir and Watson (2000) advocate constructivism, while Tsang and Kwan (1999) advocate *critical realism*. I shall explore these two research approaches in the following sub-sections.

3.1.2.1 *Critical Realism*

Godfrey and Hill (1995) suggest that the realist paradigm currently dominates strategy research. Realism is an ontological notion that states that realities exist outside the mind or are independent of our comprehension (Crotty, 2003). It is an ontology that is coherent with objectivist/positivist epistemology, but which differs from positivist or empirical realism by admitting that unobservable phenomena may be valid as long as their existence is explained (Tooley, 1987; Bhaskar, 1975). Critical realists believe in three basic contentions (Archer et al., 1998). First, the reality that theory tries to refer to consists of underlying structures and mechanisms that bound the social world. Secondly, these structures and mechanisms may not be related to empirical/observable events; they are only “contingently related”. Lastly, although scientific knowledge is never infallible, knowledge can be acquired through creative construction and replication. Positivists and specifically critical realists in social science research believe that, although it is difficult to replicate a closed observable event without biases, it is not impossible; and they advocate doing so.

The *critical realism* for organisational studies proposed by Tsang and Kwan (1999) emphasises the replication of published work, a methodology common to research outside social science. In a replication process, realists seek to confirm the structure and mechanisms identified in the original study under similar contingent conditions. The authors argue that the replication process increases the validity of studies where theories are

constructed to fit the available evidence. The process also verifies whether the theory constructed can be replicated in another context. For example, this is relevant when verifying whether a theory constructed with data from the United States can be replicated in data from Malaysia, or a theory constructed from a case study of one organisation can be replicated in another in order to increase generalisability.

Tsang and Kwan (1999) develop six classifications of replications, each differing in two dimensions: data and population, and measurement and analysis. Data and population are divided into three types: the same data set, same population, or different population. Measurement and analysis are divided into two types: the same, and different. Different combinations of the three data and population types, and two measurement and analysis types, make six types of replications in all (Table 3.1). Many social scientists, including hermeneuticists, contend that replicability should not be imposed on social science research and that it impedes creativity to develop theories. However, replication can be used to validate a theory developed as well as to increase generalisability after a theory is developed. Innovative studies contribute to theory development by introducing new concepts or extending the explanatory domain of a theory. Even critical realists like Tsang and Kwan (1999) agree that the search for quantitative social laws is not feasible, while acknowledging that many path-breaking organisation science theories, including Mintzberg's, are innovative studies.

Table 3.1 Types of Replication (Tsang and Kwan, 1999)

	Same Measurement and Analysis	Different Measurement and/or analysis
Same Data Set	Checking of analysis	Reanalysis of data
Same Population	Exact replication	Conceptual extension
Different Population	Empirical generalizations	Generalization and extension

Source: Tsang and Kwan (1999, p.766)

The methods applied to the *critical realism* approach require the developed theories to be further verified, and increase the theory's generalisability. With regard to the research objectives, research questions, and literature reviewed, *strategy formation* theories are still

being developed and generated. Referring back to Section 2.1.3, the *dialectical approach* taken in this study, to finding creative and innovative synthesis/solutions to the paradox of deliberate versus *emergent strategy formation*, *critical realism* and replication, is not a suitable research philosophy and methodology.

3.1.2.2 Constructivism

Constructivism belongs to the post modernist category under Johnson's, Buehring's, Cassell's, and Symon's (2006) typology of management research. Glaser and Strauss (1967, p.30) state that 'accurate evidence is not so crucial for generating theory'. Constructivism/constructionism is epistemology opposed to objectivism (Bryman, 2008; Crotty, 2003). Though social science research philosophers like Bryman and Crotty refer to *constructionism/constructivism* as epistemology, Mir and Watson (2000) regard it as a methodology; and one that is ontologically realist and epistemologically relativist. The underlying assumptions are that reality is knowledge of how we make sense of them (reality), and an uncritical view towards culture.

The constructivist approach is theory-dependent, where the meaning is constructed and not discovered (Mir and Watson, 2000; Crotty, 2003). Thus constructivists challenge the notion that research is conducted by impartial and neutral subjects. Spivey (1995) viewed researchers applying this perspective as 'craftsmen' and 'toolmakers'. Mintzberg (1994) views strategists as craftsmen too. Mir and Watson (2000, p. 942) advocate constructivism for strategy research, and suggest that researchers are 'actors rather than mere information processors or reactors'. Another major advantage of the constructivism approach is the 'context-driven nature of theory creation', which has its beginnings in Pettigrew's (1990) contextualism (Mir and Watson, 2000, p.942). Relating back to the research objectives and research questions of this thesis, the objective here is to construct, using the *dialectical approach*, theories developed in the Western world in the context of Malaysian Private Higher Education. Mir and Watson (2000) also conclude that the constructivist methodology offers excellent opportunities to link organisational realities and larger social systems and contingent conditions. The social system that Malaysian Private HEIs operate in was described and explained in Section 4.4., as part of a SLEPT analysis of the industry's external environment. Contingent conditions could include the stakeholders' needs and the maturing industry life cycle reported in Sections 4.3 and 4.2 respectively.

Constructivists believe that the separation of theory and practice is not feasible (Mir and Watson, 2000). The inquiry that I will be making as a researcher is how theory from the literature reviewed and practice from the interviews can relate to each other. In this research, a literature review preceded the interviews. The data coded from the interviews was then constructed to fit the theories reviewed.

I have reviewed the literature that relates to research philosophy and methodology in strategic management and organisational studies. Sminia (2009) favours Pettigrew's 'generative mechanism' and Giddens' structuration for *strategy formation* research, a critical realist theoretical perspective. There has been a debate of two distinct approaches, with Mir and Watson (2000) advocating constructivism, which I deduce to be more suitable for grand theory research, while Tsang and Kwan (1999) advocate *critical realism* – which is more suitable for theories of the middle range. Compared to *critical realism* and the replication of Tsang and Kwan (1999), I found that Mir and Watson's (2000) constructivism methodology fits this thesis better. However, there are other factors and influences that have to be taken into account before the final approach is chosen. These include Pettigrew's generative mechanism, Giddens' structuration, Mintzberg's tracking strategy, and Poole's and Van De Ven's *dialectical inquiry*.

3.1.3 Biography of the researcher

In this section, I will describe the various educational and professional experiences I have gained in the last 20 years. These unique experiences and the knowledge thereby accumulated serve to increase my credibility as a researcher constructing new theory. The fact that I have been in the Malaysian Private HEI industry for the last 8 years will increase the credibility of the study (Bryman, 2008). This information about me as the researcher will be referred to when *reflexivity* is discussed later in this chapter. Gouldner (1970) and Cunliffe (2003) explain *self-reflexivity* as recognizing the influence of the researcher's values and assumptions on the process of inquiry. Researchers need to make their assumptions explicit, in the form of researcher confessions, personal biases, textual strategies, or writing a story about the researcher's fieldwork experience. The biography below will intersect with my interpretations and constructions.

While I was evaluating appropriate research questions and research objectives for this DBA thesis, initially I thought I would embark on a quantitative approach given my training in econometrics and objectivist epistemological belief. I studied economics at the University of Virginia somewhat by accident. Economics as a social science captured my interest and I switched from Computer Sciences in my second year and graduated with high distinction. Empirically tested theories attracted me. At the same time, my training in economics was informed by strong objectivism epistemology and realism ontology, where my undergraduate thesis was a regression model using econometric tools to predict palm oil prices from several continuous variables. After graduation, I joined a highly sought-after Financial Management Programme at General Electric (GE). Wilson (2000, p. 23) notes that 'GE had arguably the most elaborate and sophisticated *strategic planning system* in the corporate world'. Although General Electric in the mid-nineties had moved away from the massive *strategic planning system* of 1980s, elements of strategic planning were still well apparent in the company Brews and Purohit (2007). Being a financial analyst working in six-month rotations across the firm's different business units, I experienced strategic planning real-life.

After General Electric, I enrolled for an MBA at Duke University. At Duke, Corporate Strategy was a core module, where applications of rationale, analytical tools and techniques in strategic planning (similar to Chakravarthy and Lorange, 1991) were emphasised and drilled. I also took a personality test at the start of the programme, the Myer-Briggs test, and the results showed me to be a strong extrovert, sensing, thinking, and judgmental (ESTJ). A career in consulting was suggested as being suitable for my personality. I then graduated in year 2000, having spent eight years in the United States. Tertiary education and work experience in the United States has made me a pragmatist. Pragmatism is very much an American perspective of life, society and the world (Crotty 2003). It emphasises the 'efficacy of practical application' and focuses on 'what works effectively' to determine the truth (Rercher, 1995 p. 710). Crotty (2003) suggests that a pragmatist philosophy informs the symbolic interactionism epistemology which in turn informs the philosophy of this research.

Equipped with pragmatist beliefs and with all the tools and techniques (*strategic planning systems*) learned from my MBA, I joined the Boston Consulting Group (BCG), first as an intern in the of summer of year 1999 and subsequently as consultant in Kuala Lumpur after

graduation in year 2000. Serving mostly large national organisations in the Southeast Asian region, I was involved in developing strategic plans for companies in financial services, airlines and the telecommunications sector. Detailed analytical models and strategic planning frameworks were used to support the strategies proposed. While every case is different from the standpoint of its internal and external environments, the framework, tools and techniques applied are shared across the cases. Information gathered was a combination of raw data downloaded from the client's databases, secondary external/benchmark information from external sources and BCG databases, and interviews with key members of staff dealing with the case involved. The initial 'hunch' of the direction of the outcome came from intuition and from the initial interviews with the management. From intuition, it turns into a hypothetical story line, before rational analytical models are performed to test and support the hypothesis. At BCG, although not familiar with the label at the time, I was performing ethnographic data gathering at the client's place through semi-structured interviews. From these interviews and the empirical data gathered, a story-line was constructed to convince the client of the chosen strategy proposed. From my experiences from General Electric, education at Duke and the Boston Consulting Group, deliberate planning was clearly the dominant *strategy formation* process in my experience.

After more than three years at BCG, I joined one of the largest Malaysian Private HEIs. A Chinese Malaysian majority-held company, which is publicly listed on the Kuala Lumpur stock exchange, the founders and owners manage the institution hands-on. There are many Malaysian Private HEIs with a similar ownership structure and management styles. The group was founded in 1986, and rapidly ballooned to 13,000 students with 9 campuses located in Malaysia and several foreign branch campuses in Thailand, Indonesia, China, and Vietnam. I joined the institution at its peak in student enrolment in 2003 as Corporate Affairs Manager, reporting directly to the President of the Group. The position in essence was a corporate planning department created to execute strategic initiatives. There were no planned systems, rather projects were directed by the President personally.

Six months later, I was tasked to lead a training department located in the city centre and turn it into a Private HEI offering part-time franchised MBA programmes, notably from Hull University and the Maastricht School of Management. I then introduced several professional programmes, including the Chartered Financial Analyst and Chartered Institute of Marketing

programmes. In 2005, this HEI acquired the Malaysian Institute of Management's (MIM) education unit and I merged both institutions and later took a minority equity stake in the newly merged HEI. By 2008, the merged institution was running 13 part-time business programmes and had the largest MBA programme (RMIT University) run by a private HEI in Malaysia. I experienced a different *strategy formation* process compared to my previous experiences at GE and BCG.

I became academically interested in *strategy formation* when I was lecturing on strategy subjects at the institution's various MBA programmes. Often paired with lecturers from the parent universities, I taught Economics and Strategy. My first significant research interest in *strategy formation* was the presence of Bob De Wit and Ron Meyer, on separate occasions, teaching for the Maastricht School of Management MBA at the HEI. This interest further increased when I taught 'Creating Strategy' for the RMIT University MBA, co-teaching with Dr Timothy O' Shannassy. De Wit's, Meyer's and O' Shannassy's work have all been cited in this dissertation. Dr Timothy O' Shannassy served as a valuable mentor for the research process and his advice has greatly enhanced my knowledge in this topic area. These exposures to and interactions with these researchers have added interest and knowledge to this topic of *strategy formation*.

One year before I left the institution I led in 2008, the Group was taken over by an American-based private equity funded private higher education group. There was a shift in the balance of priority from various stakeholders of the Group towards a more shareholder perspective. Not only was there a change in leadership, there was complete change in the *strategy formation* process, from an emergent process to one that was deliberately planned. I left the HEI in 2009 and founded a Private HEI that concentrates on professional business charter programmes, namely the Chartered Financial Analyst, Chartered Institute of Marketing and Chartered Institute of Management Accounting. I have maintained a very *emergent strategy formation* process in the last two years and enrolment has grown 40-50 percent year on year.

Upon reflection of my DBA workshops in 2009, I have noticed that my thinking and personality have shifted gradually in the last 10 years, from a rational analytical thinker to a constructive and intuitive thinker. Professor Sharon Mavin, in a DBA workshop, pointed out to me that I am constructivist as opposed to an objectivist, a revelation in 2009. In June

2011, I retook the Myer-Briggs test and it showed me as extrovert, intuitive, thinking, and judgmental. The second dimension has shifted from sensing to intuitive. My continued activity in the Malaysian Private HEI sector since 2003 allows me to understand the contextual references with increased credibility. Therefore, *reflexivity* has to be an important research method to apply in this research. My reflection will add depth and credibility to the findings with these unique prior experiences, knowledge and preconceptions.

3.1.3.1 *Reflection on strategic planning system*

I will now reflect on my personal experience with regards to the *strategic planning system* implemented at the Group I worked at. These confessional tales will form part of my *reflexivity* approach as possible biases that could affect the research. Acknowledging these biases will allow me as a researcher to increase the credibility of my interpretations through experiential authority and to increase my ability to see through those being studied (Bryman, 2008). This will result in a deeper understanding of the phenomenon studied while also exposing the interpretations of my biases.

There was a Private HEI I worked at that implemented a comprehensive *strategic planning system*. I worked at this Private HEI together with two of the interviewees (both have left the group). As the Private HEI was sold to a private equity funded institution, *strategic planning systems* were put in by the new foreign owners. The group changed from a decentralised structure to a centralised one with Group Academic Head, Chief Financial Officer, Chief Marketing Officer, Vice President of Sales, together with Chief Executive Officer making all important decisions. Within this group of executives, none except for the Group Academic Head had any Higher Education experience in Malaysia. Knowledge about specific campus' and faculties' internal and external environments was also shallow. This lack of knowledge and experience led to ineffective decisions and to the organisation losing trust in the ability of their leaders to lead the institution. This group effectively became the central planners for the whole group, and soon decisions were piling up that they took longer and longer to respond to. All the campus Chief Executives were relegated to operating each campus without much strategic influence. The budget process was a 3 month process involving significant time and resources of finance staffs, head of schools, central functions such as marketing and finance, and all the central planners. There was a significant increase in the amount of details in the budget and the master budget spreadsheet had 30,000 lines and

items. Despite these details, the process was largely top-down, with campus heads and finance staff relegated to 'filling spreadsheets', which echoed criticisms by Prahalad and Hamel (1994). For example, campus heads were not involved in the strategic directions and plans of their campus. They were given a target student number, target revenue growth and profitability projections, and were asked to complete the budget spreadsheet by filling in the details.

New programmes have to put through a 'funnel process' where Principals or Deans have to present and convince these corporate executives over a few stages/hurdles. Many line managers who were from the previous administration react by just following orders without the commitment they used to put in. These reactions were not surprising given Malaysia's high power distance element (Hofstede, 2001). Principals and Deans shy away from introducing new programmes as they do not want to go through all the unnecessary inconvenience of going through the 'funnel' process. My personal reaction (being US trained and individualistic) was to react by disagreeing with some of the decision taken by these corporate executives. Those who disagreed were then viewed as dissenters and non-team players. Therefore, the system implemented was discouraging new initiatives. Initiators were viewed as non-team players and many left the firm like me. Many followers stayed back but their enthusiasm greatly decreased with their power taken away by the corporate executives. A pitfall of strategic planning identified by Mintzberg (1994c). From my observation, the *strategic planning system* and process were value destroying where the institution suffered declining student numbers. Another observation which concurred with an interviewee described earlier was that targets that were religiously tracked and monitored became a de-motivator when one could not meet the targets from the first day of the monitoring period. These targets were top-down targets that many viewed as unattainable from the first day. Return of Investment (ROI) was the objective while the targets were formulated without much negotiation from the bottom. The *strategic planning system* encourages short-term ROI and cash generation, as compared to the longer term perspective driven by the *cultural/symbolic* process.

The effects were a general deterioration of performance for the whole group. In the institution that I led, student numbers dropped – from 400 in 2009 to less than 20 today. The main campus recorded a 5 percent drop in enrolment, as reported by the Ministry of Higher

Education (Ministry of Higher Education 2010a, 2011), compared to an increase of 15 percent in industry wide enrolment (Private HEI and Private University College) in that year (Ministry of Higher Education 2010a, 2011). SETARA and MyQuest ratings by the MOHE all showed evidence of declining quality for institutions under this group (Ministry of Higher Education, 2010b; 2011b).

As former BCG consultant implementing *strategic planning systems* at Malaysian corporate in the past, the above experience made me question the effectiveness of *strategic planning systems*.

3.1.3.2 Reflection on Resource Allocation Process

Before the change of ownership and implementation of a *strategic planning system*, the same Private HEI mentioned above was a group that had nine campuses. Two of the campuses did not carry the group's name. There were also two other campuses that were specialist colleges named after both the group and joint venture partner. Each of the campuses had high autonomy. The primary controls of the corporate office were financial controls and major capital expenditures. This resembled Goold and Campbell's (1987) *financial control style*, frequently found in organisations employing the *resource allocation process*. Rarely was strategy formulated at the corporate centre. There was very little knowledge at the main campus or corporate centre of the products, and there were very limited informal/formal relationships between staff from different campuses. The chief executives of each campus together with corporate staff such as the CFO met once a month. The key agenda of this meeting was for the President of the Group to announce and update the group's strategy, performances and changes. The other agenda was a financial update and Key Performance Indicator report by each Chief Executive. There were no comprehensive *strategic planning systems*, while decision making was fully empowered to me as Chief Executive. Reflecting on this process as one of the campus Chief Executives, I found this system more effective than a comprehensive *strategic planning system*. The key advantage was that autonomy allowed the campus Chief Executive to decide and react to the situations the specific campus was facing. The reduced bureaucracy also meant that decisions could be made speedily and without needing to deliberate issues with corporate staff that did not understand the specific situation the campus was facing.

3.1.3.3 *Reflection on Cultural/Symbolic Process*

The *cultural/symbolic* process of strategy was rather influential in the same Private HEI group described above. The Private HEI was founded by a group of Chinese educationist. Willner's (1984) symbols, metaphors, and emotions were evident in their social objective of preserving Chinese education and culture in the country. Senior management often use Chinese proverbs and many decisions were driven by elements from Confucianism. Besides this, there are strong references by the senior management on past successes and experiences. Certain 'taken for granted' practices were continued without much strategic purposes. It was difficult for a leader to influence strategy if his/her tenure at the HEI is short. Age also symbolise power and knowledge in this culture. It was difficult for me as the youngest member of the 'Presidential Council' to have my views taken seriously. The strong cultural element at this institution then became a major impediment to change when the group was taken over by new foreign owners.

As is clear from the above description of my experiences and beliefs, they are my individual experiences that are unique to me. I confess that I have a strong preference for *emergent strategy formation*, am a pragmatist, and lean towards intuitive thinking rather than analytics. With this biography, I hope to increase the credibility of this study and contribute to the construction of meaning. In conclusion, my personal ontological stand is relativism, uncritical of culture, and epistemologically constructivism. *Symbolic interactionism* and pragmatism inform my theoretical perspective. These personal philosophical beliefs will influence the chosen research approach of this study.

In the section above, I have discussed factors that may have influenced the choice of research philosophy, methodology, and methods. In the next section, I will deliberate on the various options and describe the chosen philosophy, methodology and methods.

3.2 Research Philosophy

Having reviewed the factors that might influence my choice of research philosophy, methodology, and methods, the following section will describe the research philosophy that will inform this research. While there is considerable confusion over, and differences in, terminologies, I will divide the discussion into three areas, namely ontology, epistemology and the theoretical perspective. A description of each dimension chosen and explanation of how and why these dimensions were chosen will be detailed in the following section. There is still confusion in research literature on the concepts of ontology and epistemology. For example, objectivism and constructionism were considered as ontology by Bryman (2008) but as epistemology by Crotty (2003). In turn, Bryman (2008) lists positivism and *interpretivism* as epistemology, while Crotty (2003) lists them under the theoretical perspective. To further add to the confusion, constructivism is seen as epistemology by Crotty (2003), ontology by Bryman (2008) and methodology by Mir and Watson (2000).

To clarify this confusion in terminology in social research and hierarchies, I will explain and describe my research philosophy using the following terminology and hierarchy, drawn from various literature sources reviewed (Bryman, 2008; Crotty, 2003; Miles and Huberman, 2002; Mir and Watson, 2000; Tsang and Kwan, 1999). Under ontology, which refers to 'what is', I include realism and relativism as ontological beliefs. Epistemology, which refers to 'what it means to know', will include positions such as objectivism, constructionism, and subjectivism. Constructionism is divided into *social constructionism* and *social constructivism*, with the former referring to knowledge formed collectively and the latter to knowledge gained individually. Both ontology and epistemology inform the theoretical perspective, under which I list positivism and various schools of *interpretivism*. The various schools include *symbolic interactionism*, *hermeneutics* and *phenomenology*, some critical of culture in the interpretations and some uncritical of culture. Lastly, the theoretical perspective informs the methodology which includes survey, *ethnography*, grounded theory and experiments. The methodology will then inform the methods used. I largely follow this hierarchy from ontology/epistemology funnelling down to the methods. However, each hierarchy is populated with a choice of ontology, epistemology, the theoretical perspective,

methodology and methods influenced by the factors discussed in Section 3.1. Using the hierarchy (constructed from various literature sources) and choices in each hierarchy (emerging from the factors), the research philosophy, methodology, and methods that inform this research are constructed. The chosen approaches flowing downward in the hierarchy of ontology/epistemology, the theoretical perspective, methodology, and methods were then checked for compatibility with each approach's underlying assumptions. For example, positivist epistemology informing *phenomenology* as the theoretical perspective may not be compatible. In the following subsection, I will report and discuss the ontology, epistemology, and theoretical perspective that inform my research. Methodology and methods will be reported in the section after next (Section 3.3).

3.2.1 Ontology – Relativism/Subtle realism

Considering the influencing factors in the research question and objectives (Section 3.1.1), the literature reviewed in Section 3.1.2, and the researcher's personal beliefs in Section 3.1.3, ontologically the choice is between realism and relativism. Realism is mostly acknowledged to be consistent with positivism and objectivism, where social sciences adopt the same approach to research as natural sciences and there is an external reality that is separated from our description (Bryman, 2003). Relativism, which according to Crotty (2003, p. 64) is 'the way things are', is really just the 'sense we make of them.' Therefore, a relativist accepts interpretations affected by history and culture rather than seeking the eternal objective truth. Information should be understood from every individual's own culture, which means relativism is uncritical of culture - Crotty (2003) calls this conformist. This thesis's research objective of understanding *strategy formation* in the Malaysian Private Higher Education Institute context is ontologically relativism. However, relativism ontology, which informs the post-modernist type of management research by Johnson, Buehring, Cassall, and Symond (2006), is still not the ontology of choice for *strategy formation* studies. Key issues with this ontology include the lack of generalisability and external validity.

Among the two major approaches reviewed in Sections 3.1.2.1 and 3.1.2.2, constructivism, as referred to by Mir and Watson (2000), was preferred over the *critical realism* of Tsang and Kwan (1999) evaluated and reported in Section 3.1.2. Mir and Watson (1999) explained that constructivism methodology is informed by both realism ontology and relativism epistemology. While there is often confusion among researchers whether relativism is an

ontological or epistemological position, Mir and Watson's constructivism accepts relativism and Tsang and Kwan's *critical realism* is strictly realism. Therefore, my proposed ontological position, evaluated from the strategy and organisation research literature reviewed, leans towards relativism while not rejecting realism – which is consistent with Mir and Watson.

I do not reject realism as ontology altogether; in fact, the epistemology, theoretical perspective and methodology in the rest of the chapter have some elements that are also compatible with realism. The realism that informs the objectivism positivism and objectivism in natural science can be more suitably categorised as idealism (Crotty, 2003). Hammersley (1992) calls this acceptance of realism within a primarily relativism ontology position as '*subtle realism*'. Mir and Watson's (2000) constructivism methodology, which the authors claimed was ontologically realism and epistemologically relativism, has the same elements as *subtle realism*. Hammersley (1992, p. 73) summarises the key elements of *subtle realism* as follows:

1. There is no knowledge whose validity is known with certainty. However, we can be reasonably confident of a claim relative to another. Assessment can be based on plausibility and credibility. This is a relativism element.
2. There are phenomena independent of our claims about them which claims may represent more or less accurately. This is a realism element. The term independence under *subtle realism* is different from the traditional realism perspective. Independence merely means that our making a claim does not itself change the relevant aspects of reality. Social research findings have at best an extremely weak influence on what they predict or describe due to the existence of other powerful factors.
3. The aim of social research is to represent reality, but not to reproduce it. Representation must always be from a point of view which makes some features of the phenomena represented relevant and others irrelevant. Tsang's and Kwan's (1999) replication methodology is at odds with this element.

Finally, from the conclusion of my background as a researcher elaborated in Section 3.1.3, I am relativist. I embrace my understandings adulterated by culturally influenced interpretations. Taking this position means that credibility is a key issue, which is why I elaborated my biography earlier, especially the fact that I have been an actor myself. Findings that are constructed in this thesis may not be reality that can be applied

everywhere, but may be a reaction of credible actors in the social context of Malaysian Private HEI.

3.2.2 Epistemology – Social Constructionism

From ontology, I now explain the chosen epistemology position – *constructionism/constructivism*. Citing Crotty (2003,p.42), *constructionism/constructivism* 'is the view that all knowledge, therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context.' *Social constructionism/constructivism* is about how meaning is generated by the interaction of humans and humans, and humans and other objects. Giddens (1976) postulates that social scientists have to work with 'double *hermeneutics*', where firstly, social scientists have to understand and grasp the meaning involved in the production of social realities and reconstruct these within the new structure of meaning involved in a technical conceptual scheme. My research process precisely follows Giddens' line of thought. Through information gathered, I seek to understand what *strategy formation* is used in the context of the Malaysian Private Higher Education industry and reconstruct *strategy formation* using *dialectical inquiry*, while linking them to theory from the literature review. The *dialectical inquiry* method, which is one of the methods employed in this research, involves the construction of meaning by viewing the problem from opposing poles (Findeli, 1990). Therefore, it is a method informed by *constructionism/constructivism* epistemology.

Up to this point, I have used *constructionism* and *constructivism* interchangeably. The distinction is explained in Schwandt (1994) and Crotty (2003). *Social constructivism* is a constructionist/constructivist position that understands meanings in the context of individuals. *Social constructionism* on the contrary believes that meaning is generated collectively. From the epistemic *reflexivity* standpoint, this researcher claims that his knowledge is based on *social constructivism*. This is because the meanings and knowledge gathered on the topic were individual and oriented towards me. I entered the industry in the mid-stages of my career and was a non-academic. My interactions in the industry were very much an individual experience, as I employed strategies using knowledge and experience I had gathered from outside the industry. It was thus a rather individual experience. Therefore, the initial epistemological stance taken from the proposal stage to mid-point is

social constructivism. However, the meanings gathered from the subjects (interviewees) may have been generated from their collective experience. Hofstede (2001) concluded that Malaysians at work were very collective. Private HEIs in Malaysia face very similar strategic challenges and environment in an industry that is collectively regulated by the Ministry of Higher Education (MOHE). Lastly, six out of eight of the interviewees in Appendix A are leaders who have had leadership positions in more than one institution. Their experiences from previous institutions would have been shared and benchmarked, and the processes in these HEIs are mostly collective given their large size and diverse composition of shareholders. The people concerned are also predominantly Chinese Malaysians who have has similar cultural heritage. Although, as researcher, I generated knowledge individually, the subjects very probably generated meanings collectively. This was the key reason why I changed to a social constructionism epistemological stance from *social constructivism* earlier.

Crotty (2003) claimed that social *constructionism/constructivism* is both realist and relativist. Linking social *constructionism/constructivism* to relativism, the author explained that once we embrace 'the way things are' as just 'the sense we make of them', we will be uncritical of culture and therefore relativist. The interaction between *constructionism/constructivism* epistemology and relativism ontology is notably influenced by Kuhn (1962). The author argued that science cannot be viewed as the accumulation of more accurate and precise knowledge. Rather, each field is a sequence of periods in which research is dominated by a particular paradigm. The paradigm emerges from certain assumptions about the phenomena being studied. These periods of paradigmatic consensus are punctuated by 'scientific revolutions', in which a paradigm is gradually replaced by a new one. Although not explicitly mentioned, many social scientists view Kuhn's argument as relativism (Hammersley, 1992). This ontological and epistemological combination also fits in with the social phenomena about *strategy formation* that I am studying. I observed this paradigm shift from *deliberate planning* to *emergent strategy formation* after Mintzberg's influential book, *The rise and Fall of Strategic Planning* (1994). The bulk of empirical studies linking *strategic planning* to firm performance are slowly being replaced by the development of *emergent strategy formation*. *Strategic planning* is gradually being studied less, and the paradigms have in recent years shifted to integrating various *strategy formation* processes to fit the context.

Lastly, I believe in Denzin's and Lincoln's description that 'the researcher's role as a *bricoleur*, employing various tools and methods such as inventiveness, resourcefulness, and imaginativeness' (Denzin and Lincoln, 1994, p. 2). Following this approach, this research aims to find out how industry leaders construct their strategic formation processes through engaging the realities of their industry and institutions they worked.

3.2.3 Theoretical Perspective – Symbolic Interactionism

In this section, I will explain the theoretical perspective I will be taking for my research. Theoretical perspective, meaning the 'philosophical stance lying behind the methodology' (Crotty, 2003, p. 66), is informed by both ontology and epistemology. *Interpretivism*, as opposed to positivism, is the theoretical perspective that is compatible with relativism ontology and constructionism epistemology. Crotty (2003) explained *interpretivism*, devised by Max Weber, as a philosophical stance that looks for culturally and historically situated interpretations of the social world. It focuses on understanding rather than seeking causality (explaining) (Crotty, 2003; Bryman, 2008). While many philosophers (Wilhelm Dilthey, Wilhelm Wilderband and Heinrich Rickert), cited by Crotty (2003), separate understanding and explaining, Weber (1968, p. 3) defines sociology as 'a science which attempts the interpretive understanding of social action in order thereby to arrive at a causal explanation of its cause and effect'.

The *critical realism* of Tsang and Kwan (1999), which have the same elements of critical inquiry, is rejected as a theoretical perspective for this study as the objective is to understand how *strategy formation* happens, not to challenge or change the way things are done. The issue of limited access to specific organisations' secrets limits the opportunity for the critical inquiry approach. *Critical realism* is also informed by realism ontology, which is not compatible with the relativism or *subtle realism* ontology chosen for this study (Section 3.2.1).

Crotty (2003) divides *interpretivism* into several historical streams: *hermeneutics*, *phenomenology* and *symbolic interactionalism*. *Hermeneutics*, imported from theology into social science, is the oldest historical stream of *interpretivism*. *Hermeneuticists* face information (texts, interviews, etc.) from far away. The approach seeks commonality between the researcher and the information while using this as a basis to interpret the latter.

In this research, I am not distanced from the information; I am in fact an actor in the Malaysian Private HEI industry myself. Therefore, the *hermeneutics* approach of interpretation is not compatible with this study.

Phenomenology is concerned with how the researcher understands the world, bracketing out his/her own preconceptions. Alfred Shultz (1999-1959) and Edmund Husserl were credited with the start of this phenomenological movement (Crotty 2003, Bryman, 2008). It is a philosophical stance that is critical of culture and compatible with *social constructivism*. Crotty (2003) explains that *social constructivism* involves the individual human subject engaging with objects to make meaning, and that our cultural heritage, past knowledge, and experiences make us pre-empt the study. Given that this study is conformist (uncritical towards culture) and is informed by *social constructionism* (as opposed to *social constructivism*), *phenomenology* is not a compatible theoretical perspective for this study.

We now move to the last *interpretivism* stream, *symbolic interactionism*. It seemed to offer the most compatible theoretical perspective for this thesis. This philosophical stance, founded by George Herbert Mead, was articulated by Mead's student Blumer (1969, p.2) with three basic assumptions. First, 'that human beings act toward things on the basis of the meanings that these things have for them'; second, 'that the meaning of such things is derived from, and arises out of, the social interaction that one has with one's fellows'; and third, 'that these meanings are handled in, and modified through, an interpretive process used by the person in dealing with things he encounters'. This philosophical stance is consistent with pragmatist philosophy. Pragmatism is 'that efficacy in practical application', in which determination of the truth is based on 'what works most effectively' (Rescher, 1995, p, 710). Crotty (2003) also explained that the popular pragmatism version of William James and John Dewey leans towards the conformist attitude towards culture. In fact, it views culture as optimistic and progressive: the world is to be explored and made the most of, not to be subjected to criticism. Pragmatism is very much favoured for the theoretical perspective of this DBA research, as the findings in this study area intended to contribute to professional practice through practical application of the knowledge gained.

The pragmatist philosophy is highlighted in research sub-question 4, where the objective was to ascertain the effectiveness of the actions taken on performance. The other research questions and objectives seek to understand how Malaysian Private HEIs leaders act (form

strategy) when interacting with the industry's external environment (SLEPT analysis Section 4.4) and stakeholders (Section 4.3). In Section 3.1.3, I have described myself as a pragmatist, which is the philosophy behind symbolic interaction. In conclusion, from the description, analysis, and evaluation, the chosen theoretical perspective lying behind the methodology for this thesis is *symbolic interactionism*.

3.3 Methodological Choices and Research Design

Having reported and discussed the choice of research philosophy that informs my research approach, I now turn in the following section to the methodologies and methods that were employed in this research. In addition, I have applied a reflexive process to further increase the credibility of the study. This will be discussed in the latter part of this chapter (Section 3.6).

3.3.1 Methodology – Ethnography

In this section, I will explain the methodological approach that I will be taking. The approach was chosen to be compatible with realism ontology, *social constructionism* epistemology, and the *symbolic interactionism* theoretical perspective. The methodology chosen is ethnography complemented by *reflexivity* – which will be discussed later (Section 3.6).

Coser (1971) explained that a central notion in Mead's *symbolic interactionism* is putting oneself in the place of the other. The importance of research seeing the meaning from the actor's standpoint, in *symbolic interactionism*, makes *ethnography* an ideal methodology. A cultural anthropologist, Frank Boas was acknowledged for the *ethnography* methodology (Crotty, 2003). *Ethnography* is a research methodology with the notion of looking at interpretation from the lenses/culture/context of the subject. The culture should not be criticised; rather, 'the aim is to see inside the way each group of people sees the world' (Hammersley 1985, p.152).

Ethnography was founded from a *realism* doctrine. The strength of the methodology is that the researcher enters into close proximity with the subjects to observe an unadulterated context. These realism elements motivated sociologist Robert Park to advocate case study research. Herbert Blumer recommends getting close to naturally occurring social phenomena (Hammersley, 1992). However, Blumer (1969), arguing from the pragmatist perspective, says that ethnographers' thinking can also be linked to *constructionism/constructivism* epistemology and *interpretivism* theoretical perspective. Blumer further argues that even people in close proximity may live in different 'social worlds' (Blumer, 1969, p. 11). These social worlds are incomparable, i.e. one cannot be treated as superior to another. Kuhn's (1970) view described in Section 3.2.2 about scientific revolution is also constructionist/constructivist but at the same time distinctly relativist. Hammersley

(1992) calls this '*ethnography* constructivism' while Mir and Watson (2000) plainly call it a constructivism methodology. Hammersley (1992) concluded that *relativism* ontology is not in conflict with *ethnography*. The author listed Husserl, Schutz, Wittgenstein, and Winch as researchers who hold the view that *ethnography* is compatible with *relativism* ontology. However, as mentioned earlier in Section 3.2.1, *realism* is not rejected from a *constructivism ethnography* methodology. Hammersley (1992), in recognising constructivism *ethnography* as informing both realism and relativism, proposed a subtle form of *realism* described in Section 3.2.2.

To apply relativism to *ethnography*, Hammersley (1992) suggested borrowing ideas from phenomenologists, especially Husserl's, which seek to understand underlying social structures constructed with assumptions. Following Husserl's understanding, assumptions are interpreted from culturally relative notions (Husserl, 1931). Linking back to this thesis' research objectives and sub-questions, Question 2 involves interpretation by placing relatively *deliberately* planned and *emergent strategy formation* processes on a diametrically opposite continuum. What constitutes deliberate or emergent is a relative concept, interpreted by me as the researcher. For example, a supposedly strategic plan in the context of a small entrepreneurial firm could be viewed as emergent for a large bureaucratic corporation.

Van Maanen (1979) explains first-order and second-order concepts in ethnographic investigation. First order concepts are facts gathered, and second-order concepts are the theories the researcher uses to organise and explain these facts. Research sub-questions 1 and 3, asking about what *strategy formation* is used, are first-order types of question. Sub-question 2, about where in the deliberate versus emergent continuum these processes are placed, is a second-order concept placed by the researcher. According to Van Maanen (1979), the ability to build second-order concepts relies on the researcher's ability to understand and uncover first-order concepts in the culture. The author further explains the importance of the ability to make distinctions between operational and presentational data. Presentational data is information that the participants may have enhanced or tailored to present a certain image to the researcher. For example, Private HEI leaders may proudly attribute their success to their leadership and not to the rosy external environment.

Van Maanen (1979) also warns the ethnographer to beware of lies, such as ‘hidden failings’ where Private HEI leaders may not openly talk about strategies that failed. There are also instances where the informants themselves may have been wrong or misled. The fact that I, as researcher, was also an active player in the Malaysian Private HEI will definitely have increased my ability to uncover and document these first-orders, and decipher and uncover the facts from the fictional data. As much as these experiences and knowledge help me uncover facts from fiction, it is open to challenge whether my second-order constructions are representation of reality or fiction. Applying *reflexivity* methodology, I hope that my coding of first-order concepts and construction of second-order concepts will have a high level of credibility and validity.

3.3.2 Data Collection and Analysis - Semi-structured interviews, template analysis, analytic ethnography, dialectical inquiry

The design of the research methods employed for this thesis will be explained in this section. The factors considered include the methodology, theoretical perspective, epistemology, ontology, practicality, availability/accessibility of the data and ethicality. The research questions are inductive in nature, which suggests that qualitative methods may be suitable. Qualitative methods will be used rather than quantitative mainly due to the constructionist epistemology and ethnographic methodology. The objectives of the research and the research questions are focused on experiences and information that are soft and need not show causality. While there are established quantitative methodologies and methods that validate causality between strategic planning and firm performance, this is far from established for researchers still developing theory. The constructionist epistemology also requires that the methods employed are to understand and discover various forms of *strategy formation* and why these actions were taken.

Poole's and Van de Van's (1989) *dialectical inquiry*, explained in Section 2.1.3, will be employed. Other methods that will be engaged and explained for the rest of this section are analytic *ethnography*, semi-structured interviews and *template analysis*. The above three, together with *dialectical inquiry*, will be the key methods employed for this thesis. The analysis also applies inductive reasoning rather than deductive reasoning.

Symbolic interactionism within *interpretivism* informs the theoretical perspective of this research. Denzin (2001) discussed six steps of the interpretive process. Below are these six steps and how each step relates to the methods and approaches employed in this thesis.

1. Framing the research question. Denzin (2001) explains that this process requires 'sociological imagination'. Sociological imagination means thinking critically, historically, and biographically; and self-consciously making the researcher's own experience part of the research. The questions framed should be about 'how?' and not 'why?'. My biography in Section 3.1.3, and the employment of *reflexivity* as a methodology, present evidence that 'sociological imagination' was employed for this thesis.
2. Deconstructing and analyzing critically prior conceptions of the phenomenon. This relates to Chapter 2 - literature review.
3. Capturing the phenomenon, including locating and situating it in the natural world and obtaining multiple instances of it. Semi-structured interviews with leaders of the industry are used to obtain experiences and phenomenon.
4. Bracketing the phenomenon, or reducing it to its essential elements and cutting it loose from the natural world so that its essential structures and features may be uncovered. Although a phenomenological perspective, I will code the text to its specific category or phenomenon, into the various strategic formation processes reviewed. This process has to be implemented without bias and pre-conceptions; *reflexivity* will be used to review this.
5. Constructing the phenomenon, or putting the phenomenon back together in terms of its essential parts, pieces, and structures. I will be using *template analysis* methods (King, 2004b). The method is described in Section 3.3.2.3.
6. Contextualizing the phenomenon, or relocating the phenomenon back into the natural social world. *Reflexivity*, specifically Lynch's (2000) 'philosophical self-reflection' method, is used to enhance the contextualisation.

3.3.2.1 Analytic Ethnography

As *ethnography* will be a methodological perspective employed in this research, the elements of a specific category of *ethnography* called *analytic ethnography* proposed by Lofland (1995) will be discussed and adopted. *Analytic ethnography* has seven features or practices. Below is a summary of the five of the seven features that are relevant to the methods engaged and of how they relate to this thesis.

1. Pursue knowledge from a spirit of **unfettered inquiry**. Unfettered inquiry research is temporally long-term with unending revisions. Socially, research is thought of as a disciplined human inquiry and the knowledge gained is addressed to larger audiences and humankind. Emotionally the researcher has to be judicious and careful in their approach to the research. The use of the *template analysis* method, which will be covered later in sub section 3.3.2.3, will feature reiterations of the method being engaged. Socially, Section 1.1 details how the research can contribute to professional practice around the world, current and future.
2. Analytic *ethnography* requires the **researcher to be deeply familiar** with the subjects and their environment. Maintaining close proximity to the subjects and environment is often an arduous task for researchers. But as is clear from the description of my biographical experiences in Section 3.1.3, I was located in the ideal social environment to research Malaysian Private Higher Education and its subjects (HEI leaders), having networked and interacted with the subjects while experiencing the industry context myself over the past eight years.
3. **Emergent analysis**, borrowing from grounded theory (Glaser and Strauss, 1967), is an integral part of analytic *ethnography*. Data are accumulated and analysed inductively, relying on intuition and creativity. There are no hypotheses and no processes for finding the data to support these. I came out in the Myers-Briggs test as an intuitive personality (Section 3.1.3). I am known to my colleagues as always thinking out of the box with creative solutions to multifaceted problems. In addition, in the course of writing the literature review and findings chapters I brought in many emergent facts, including bringing in many additional theories and studies after most of the interviews were completed and analysed. Themes emerged from my analysis and this brought me back to the literature review to look for linkages and consistency between the prior studies and my interview findings. The reflexive process also supported the emergent nature of analysis. The analysis applies inductive rather than deductive reasoning.
4. Analytic ethnographers combining features of unfettered inquiry and deep familiarity bring their focus on **new content**. Replication, as suggested by Tsang and Kwan (1999) to increase reliability, validity and generalisability, are put on the back burner. However, analytic ethnographers strive to identify new findings even in well researched areas. This dissertation strives to look into these new findings from a new context (Private Higher Education and Malaysia) which has never been researched before. This researcher approaches the information and analysis from the angle of how *strategy formation* is different from that in well researched contexts, which typically involved large, publicly listed, for profit companies located in the western world.

5. As *ethnography* uses an inductive process without hard empirical support, analytic *ethnography* suggests **developed treatment** which focuses on three interrelated dimensions. The first dimension is the degree of conceptual elaboration, referring to the number of major conceptual or analytic divisions or subdivisions that form the main body. The reason for such a dimension is that the concept developed should be well thought through and be of reasonable complexity. The division found in this research is *deliberate strategy formation* represented by *strategic planning systems*, externally enforced strategy, and *strategic leadership*. On the emergent strategy side, it is represented by incrementalism, the *resource allocation process*, *cultural/symbolic process*, and *political/generative process*. The second dimension relates to the balance between conceptual elaboration and data presentation. Lofland (1995) suggested that slightly more than half of the report should be a description of the qualitative data collected, and slightly less than half the analysis. Lastly, the third dimension refers to the interpenetration of conceptual elaboration and data presentation. This means the interpenetration of data and analysis, including linking the two together and constantly exploring the relationship between the two. The *template analysis* method and *dialectical inquiry* method will be applied to increase the first dimension, conceptual elaboration. The latter two dimensions will be applied in Chapter 5 and 6, where the analysis, interpretations, findings and reflections will be reported.

In this study, the application of the above five elements above can be illustrated by the process of how one of the findings was found. In the spirit of unfettered inquiry, I have confessed to a preference for emergent strategy formation processes. Upon performing and coding the first interview, however, the interviewee expressed the opposite view – that strategic planning (deliberate strategy formation) was the dominant process employed. This process was later found in no less than seven of the eight interview scripts; therefore, the strategic planning process emerged as a more widely implemented process in the industry than previously thought. Upon the second reading of the script from Interview 4, a contextual element emerged as a possible explanation as to why strategic planning was employed, namely institution size. Given my deep familiarity with the environment (sizes of institutions of where the interviewees worked), I subdivided the codes into two groups: large institutions (2000 students or more) and small institutions (less than 2000). I found that interviewees who worked at large institutions had more quotes (coded from the interview script) supporting the notion that strategic planning was being employed. This link is new content, and was supported by the literature reviewed (Section 2.2.1.8, Brews and Purohit, 2007). The interpenetration of data (interview codes), literature reviewed, and analysis (new

content) is an element of *analytic ethnography* called developed treatment (Loftland, 1995).

3.3.2.2 *Semi-structured interviews*

Semi-structured interviews were the best choice. The data resides in the minds of Private HEI leaders. This method of information collection is consistent with ethnographic methodology, as the goal of any qualitative research interview is 'to see the research topic from the perspective of the interviewee and to understand how and why they come to have this particular perspective' (King, 2004a, p. 11). Observation through action research was rejected, as I did not anticipate any Private HEIs allowing me to enter their day-to-day operations for me to make those observations.

In line with constructionist epistemology, as King further wrote,

The qualitative researcher believes that there can be no such thing as a relationship-free interview. Indeed, the relationship is part of the research process, not a distraction from it (King, 2004a, p. 11).

Van Maanen (1988) explains a major type of ethnographic writing that is most relevant to the method to be engaged: realist tales. These are apparently definitive, confident, and dispassionate third-person accounts of culture and of the behaviour of members of that culture. The researcher consciously tries to limit preconceptions from the interview process. However, my experience, knowledge of the interviewees' backgrounds and relationship with the interviewees will assist in generating accurate first-order concepts. The interview can be done in a non-coercive environment, and the researcher's own knowledge and experiences allow communication to be located in the proper context. For example, in a given interview, when the interviewee described certain strategic objectives of the 'government' to be met, the researcher without needing to probe further knew that these objectives were set by the Ministry of Higher Education (MOHE) rather than any other government institutions. There were also cases where interpretation was required as I probed for further details by looking for more examples and narratives to support the notions the interviewees were giving in their responses.

Hammersley (1992) favours selective representation over reproduction, given that, at best, findings are only one of many possible valid accounts of the phenomena. There is in his

view no need to be concerned about sample sizes, or whether samples are representative of the population. I use a purposive sampling method called sequential sampling. Purposive sampling is a non-probability form of sampling in which randomness is not applied Bryman (2008). Sequential sampling, explained in Ghauri and Gronhaug (2005), involves adding new samples continually until final conclusions are arrived at. The final sample size is adjusted by the researcher as an on-going process. The sampling method was chosen as the research is emergent, as suggested in analytical *ethnography*, and is compatible with constructionist epistemology. Representation is not a priority in this sampling method. The number of interviews required was not pre-determined, but I ended up with eight. The interviews stopped when the findings reached saturation. The last two interviews were performed after the first draft of the findings chapter was completed; at this point the final draft of the literature review chapter was also completed. Some of the questions asked in the final two interviews had the purpose of increasing the respondent validity of the constructed phenomenon. The interviews also became progressively shorter as I become better versed in the process, while the issues that required further clarification reduced in number. The criteria for the interviewees to be chosen were:-

1. Seniority and tenure in the industry. All but one person interviewed had more than 10 years experience in the industry. They had to have leadership position experiences, which meant they had to be either heads of their respective Private HEIs, Deans of Faculty or heads of an administrative department. Four out of eight interviewees also possessed a Doctoral degree with the others possessing master degrees.
2. Worked in more than one Private HEI. This was to increase the richness of their experience and ensure that their perspectives were anchored on more than one institution.
3. Accessibility and willingness to share and support. The interviewees had to be willing to share their perspectives willingly to ensure truthfulness in their accounts. All interviews were performed within Greater Klang Valley (Kuala Lumpur) and Interview 3 was performed in Penang.

The profiles of the eight interviewees are listed in Table 3.1.

Table 3.2 Profiles of the Malaysian Private HEI leaders interviewed

No.	Current Position	Experience and previous positions
1	Associate VP (Research) Dean, Faculty of Business,	10 years of experience in one Private HEI

	Private University College	
2	Adjunct Lecturer at several HEIs	Director of Academic Affairs Assistant Dean at a large Private HEI 15 years in the industry
3	Chief Executive, Private HEI	Chief Executive at two other Private HEIs, Vice President of Administration, Private HEI Associate Professorship at Public HEI 10 years in the industry
4	Retired	Vice Chancellor of a large University College Dean at a Public HEI 25 years in the industry
5	Head of Programme	Developed new programmes at a Private HEI 2 years in the industry
6	Dean of Hospitality and Tourism School	Chief executive and two Private HEIs 13 years in the industry
7	Senior lecturer (semi-retired)	Dean of Business School at large Private HEI Associate Professor at Public HEI 12 years in the industry
8	Vice President at Allied Health University College	Chief Executive of a Branch Campus 13 years in the industry

Most of the interviewees were accessible to be interviewed because this researcher had some relationship with them through associations in the industry. They were former colleagues, members of the Malaysian Association of Private Colleges and Universities (MAPCU), or were recommended by people within the researcher's professional network. The interviewees were contacted through phone, electronic mail or Facebook. A conducive environment was picked for the interview, usually at the office of the interviewee, or a hotel coffee lounge. A reflection process after each interview and analysis was used to anchor the data away from personal biases and preconceptions. The interviews took approximately 31 to 71 minutes averaging at 50 minutes per interview.

Subscribing to elements of emergent analysis, unfettered enquiry, and new content from Loftland's (1995) analytic *ethnography* discussed in Section 3.3.2.1, the research process was rather unfolding: a degree of "openness" to new themes and contrasting direction was encouraged. Each interview gave added opportunities to probe for further details and examples relating to the phenomenon. Before the next interview, any phenomenon that had reached saturation was subtracted and new emerging phenomenon were added to the next

interview guide to develop further understanding of the emerging new content. Each interview was transcribed and analysed before the next interview to allow for more effective additions and subtractions in the next interview guide. A sample of the interview guide is attached in Appendix A. The interviews were recorded and transcribed by Mr. Lee Soong Sern, an undergraduate business student.

3.3.2.3 Template Analysis

Steps four and five of Denzin's (2001) interpretive process, explained in Section 3.3.2, involves bracketing and constructing the phenomenon – a process using a technique or method called *template analysis* (King, 2004b). As the author explains, this is a method where the researcher produces a list of codes, called templates, representing themes identified. The template is constructed from several revisions, modifications and additions as text is read. King (2004b) also describes the method as compatible with constructionist epistemology and the symbolic interaction theoretical perspective.

The first step of *template analysis* involves mostly coding a list of codes (templates) into themes and assigning an initial hierarchy to the codes and phrases King (2004b). There are also parallel codes where a segment is described with two codes. There can also be pre-defined codes – for this thesis, '*deliberate strategy formation*' and '*emergent strategy formation*' were obvious pre-defined codes. Other pre-defined codes include the processes that relate to deliberate and *emergent strategy formation*. Codes can also originate from the literature review. This process can be related to step 4, the bracketing of Denzin's (2001) interpretive process.

King (2004b) explains the next step as developing the template. In this sub-process, I allow new codes and concepts to emerge from each interview analysed. Once the initial template is completed, King (2004b) suggests that the scripts be re-read, and new codes may emerge when compared to the initial template built. This process could end with the addition, deletion, change of scope, or change of hierarchy of the codes from the initial template. King (2004b) suggests that the text be re-read about three to four times before the final template is complete. For this thesis, when a new interview does not change the template significantly, it signifies that the number of samples/interviews can stop. While re-reading the transcript, I constantly referred to the literature review chapter and this may also change

the template. This process also at times causes additions and amendments to the literature review, to incorporate elements from grounded theory (Glaser and Strauss, 1967).

The template analysis was performed on a whiteboard of 5 feet by 12 feet in size. Each colour post-it note represented different types of code. They represented the initial assigned hierarchy of codes. Below is a list of the various colour post-its used for different types of codes.

- Yellow was used for quotes from the interview that represented the types of strategy formation process employed. These codes relate to research sub-question 1.
- Green was used for interview quotes that represented the reasons the process was employed. These codes relate to research sub-question 3.
- Blue was used for interview quotes that represented the effectiveness of the process described. These codes relate to research sub-question 4.
- Pink was used to represent theories/phenomena found from the literature reviewed.

The board was divided into deliberate and emergent strategy formation. Deliberate strategy formation was then further sub-divided into strategic planning, strategic leadership, and externally imposed strategy. Emergent strategy formation was in turn sub-divided into incrementalism, resource allocation process, cultural/symbolic process, and political/generative process.

Upon every of reading the interview scripts (4 rounds of iterations), codes were added, moved, or deleted. Some codes could be duplicated and put in more than one place. It is through this process that the findings emerged. Literature reviewed that related to the findings was then inserted into the templates to support the findings. Some findings initially lacked support from the literature reviewed, which then prompted a further literature search. Figure 3.1 is a snapshot of the template.

Figure 3.1 Snapshot of the template used in the research



The last step in Denzin's (2001) interpretive process is contextualizing each phenomenon by finding examples and stories from the interviews and *reflexivity* diary to either increase credibility in the phenomenon or, in the case of contrasting stories, to illuminate variations. These too can be coded and put into the template to support the themes structured. After constructing, revisiting and contextualizing the template, *reflexivity* can be applied to further authenticate or enhance the meaning as part of the contextualising process. To further illustrate the reflexivity process, the findings were compared with my personal biases as confessed to in the reflexive diary. Findings that were consistent with my biases were then revalidated from the interview scripts and templates to ensure that these findings originated from the interviewees not from biased probing or interpretation by me.

In this section, I have explained and reported the research method chosen and employed in this thesis. It follows Denzin's (2001) six interpretive process steps, where *dialectical inquiry*, *semi-structured interview* and *template analysis* was applied. It also follows many

features explained as *analytic ethnography* by Lofland (1995). In the next section, I will report the ethical considerations taken into account for this study.

3.4 Ethical Considerations

The primary ethical principles of the University's ethics policy in research are beneficence and non-munificence (Newcastle Business School, 2008). As explained in Section 1.1, this research aims to benefit practitioners in the industry worldwide. It also has implications for policy making in the industry. Lastly, it provides deeper contextual understanding of *strategy formation*.

Potential harmful activities such as compromising confidential institutional information or the anonymity of interviewees were also considered and avoided. This was the main factor in my decision to reject the more popular longitudinal case study method. As stated in the interview guide Appendix A, interviewees were explained their rights to full personal autonomy, and full informed consent was obtained before the start of the interview. The interviewees were informed that their interviews were being recorded, and transcripts were provided for to allow them to make any deletions or corrections before the transcripts were codified.

3.5 Evaluation of the Research and Limitations

Bryman (2008) presented replication, reliability, and validity as criteria for assessing the quality of social research. Although lists are more associated with quantitative methods, I used them as a starting point in evaluating my research design. Replication is normally associated with quantitative methods and fits the *critical realism* theoretical perspective (Tsang and Kwan, 1999). I could have replicated a study performed earlier such as by Gunby Jr. (2009) onto the new context; however, it would have lacked the originality and authenticity expected from a DBA thesis. My research design will be difficult to replicate as the context is unique and it involves my construction, given my experiences. As for reliability and validity, LeCompte and Goetz (1982), talking about qualitative research, divide the criteria into the external and internal dimension. My research design was not built for external reliability as I could find no previous studies on *strategy formation* in the Malaysian Private HEI industry. Replicating a study such as Brews and Purohit (2007) might have increased the external reliability of my research, but it would not have met the primary objective – which was not to find the causal link between *strategy formation* processes and firm performance, but rather to understand ‘why’ and ‘how’ *strategy formation* takes place in the Malaysian Private HEI industry. Although I had no research team to ensure internal reliability, the engagement of Dr. Chook Ka Joo (an actor in the industry) as my second supervisor did serve as an anchor for internal validity. The robustness of the research design’s internal validity comes mainly from the fact that its findings emerged from semi-structured interviews with interviewees who had experience in more than one Private HEI. My experience as an actor in the industry myself also increased the internal validity, particularly with the incorporation of the *reflexivity* process. My experiences as described in my biography further increase the credibility of this research. This deep familiarity with the context in which the study is set was also advocated by Lofland (1995) when describing the process of analytical *ethnography*. However, my research findings have low external validity as they may not be generalisable across other social settings. There was also no random sampling or consistent measurements across the information collected.

Trustworthiness was suggested as an alternative criterion by Guba (1985) for evaluating qualitative research. He included four criteria that together make up trustworthiness:

credibility, transferability, dependability and confirmability. Credibility, which parallels internal validity, was a substantial factor in this research design. In addition, in order to increase credibility further, the last two interviews were scheduled after the templates were constructed and the findings and first draft of the analysis chapter were completed. The final two interviews were used to increase the internal validity of the understandings constructed on the basis of the earlier interviews and work. This process can be called respondent validation, even although I did not review the constructed findings with the same interviewees I interviewed earlier (Bryman, 2008). Constructions that the two final respondents disagreed with were changed in accordance to the new information gathered. A triangulation technique was also applied to increase credibility during *template analysis* and *reflexivity*. Information coded from the interviews was compared to the literature reviewed and philosophically reflected to prevent my pre conceive bias from the interpretations.

Next is transferability, which parallels external validity. Guba and Lincoln (1994) argue that, although 'contextual' qualitative research is hardly generalisable, rich accounts of the contextual background (as reviewed in Chapter 4 on industry development), stakeholder analysis and SLEPT analysis make good references for readers to judge transferability. This is followed by dependability, which parallels with reliability. From the qualitative research perspective, this means ensuring complete records of the interview transcripts, reflexive diary and the template constructed. All of these should be accessible and auditable to increase dependability. Lastly, Guba and Lincoln (1994) describe confirmability as not overtly allowing personal inclinations and beliefs to influence the findings. This was one of the main reasons that I used *reflexivity* as a significant influence in the research process.

There were certainly limitations to the research design. Reliability, validity and generalisability, which Tsang and Kwan (1999) suggest can be increased by the use of the replication methodology, were all weaknesses of the research design. Johnson, Buehring, Cassall, and Symonds (2006), states that low generalisability is a limitation of relativism ontology. The study could hardly be replicated to increase external reliability. There was no industry or researcher with high similarities with what was done. Findings from the study could not be generalised into other contexts confidently. Pettigrew (1998)

admitted this limitation when advocating contextual research. This limitation means that the conclusions and findings may not hold up in another context or different time.

Research sub-question 4, which inquired about the leader's perception of linking firm performance to the *strategy formation* processes described, cannot significantly imply causality. Quantitative methods employed by researchers like Brews and Purohit (2007) are much more effective in proving causality. As I am not an independent researcher, being an actor myself in the social setting, I could not with *ethnography* be unbiased and walk into the interview without pre-conceived notions. This affects internal reliability. All the interviewees were also acquaintances of mine – which allowed for a more honest and open discussion, but at times the 'casualness' of the interviews could affect objectivity and even cause interviewees to avoid disagreements in the given collective social structure. Acknowledging these limitations, I have reviewed the objectives while combining all the influencing factors; and I feel that the research design fits the purpose of this study.

3.6 Reflexivity

A reflexive process was applied to further increase the credibility of the study, which in turn increased trustworthiness. Van Maanen (1979, p.102) described organisational *ethnography* as 'simple, sequential, and *reflexive*: less theory, better facts; more fact, better theory'. Denzin and Lincoln (1994) described the "researcher as *bricoleur*" and "bricolage as self reflexive". Finlay and Gough (2003, p. ix) describe *reflexivity* as follows:

'Reflexivity requires critical self-evaluation of the ways of which the researcher's social background, assumptions, positioning, and behaviour impact on the research process. It demands acknowledgement of how researchers co-construct (or construct) their research findings.'

Symond and Cassell (2004) suggest the process of *reflexivity* to improve qualitative research methods by critically appraising the methodological process, acknowledging and reflecting on our epistemological commitments, and recognising the influence of our disciplinary backgrounds on the knowledge we construct. Hammersley (1992, p. 75) explains that the ethnographer should suspend any of her/his own beliefs that conflict with those being described and explained; otherwise there is a danger of misunderstanding.' *Reflexivity* will be a powerful methodological process for checking conclusions constructed from *ethnography*. In addition, *reflexivity* can facilitate greater and deeper insights of personal and social experience.

During the process of data collection and data analysis, I kept a reflexive diary. containing my prior personal beliefs and understandings confessed to in Section 3.1.3, separated by themes. The themes (in the diary) were then checked against the conclusions which emerged from the template analysis. This process helped me to ensure that the evidence was not being obtained from biased questioning or misinterpreted from the context of the information. When the findings and analysis were framed into potential conclusions, each conclusion was reflected against the various themes in the reflexive diary again. Additional attention was paid to the conclusions that were similar to the themes stated in the diary. This process was to ensure these were not my biased interpretations and were truly the perspectives of the interviewees.

Reflexivity has exploded as part of the post-modern movement and there are often confusing approaches which originate from many different angles and objectives (Bryman, 2008; Finlay and Gough, 2003). It unsettles representation by suggesting we are continually constructing meaning when interacting within the social context (Cunliffe, 2003). Ontology and epistemology are inseparable and we cannot ignore the cultural and historical experience that permeate our work (Jun, 1994).

3.6.1 Epistemic Reflexivity

Lynch (2000) listed three main sub-meanings of *reflexivity*. Firstly, 'philosophical self-reflection' involves looking inward, and at times confessional and self-critical examination of the researcher's beliefs and assumptions. This is labelled 'epistemic *reflexivity*' by Johnson and Duberley (2003). In my biography (Section 3.1.3), I acknowledge that I favour *emergent strategy formation* and am a US trained pragmatist. My experience in leading a relatively smaller Private HEI of 500 students or less may also contribute to my biases toward emergent processes. I may also have far more knowledge and experience with regard to *strategy formation* as compared with the interviewees, many have extensive academic experience at public universities instead. Therefore, I have to take into account these contextual differences when gathering and constructing phenomena.

3.6.2 Methodological reflexivity

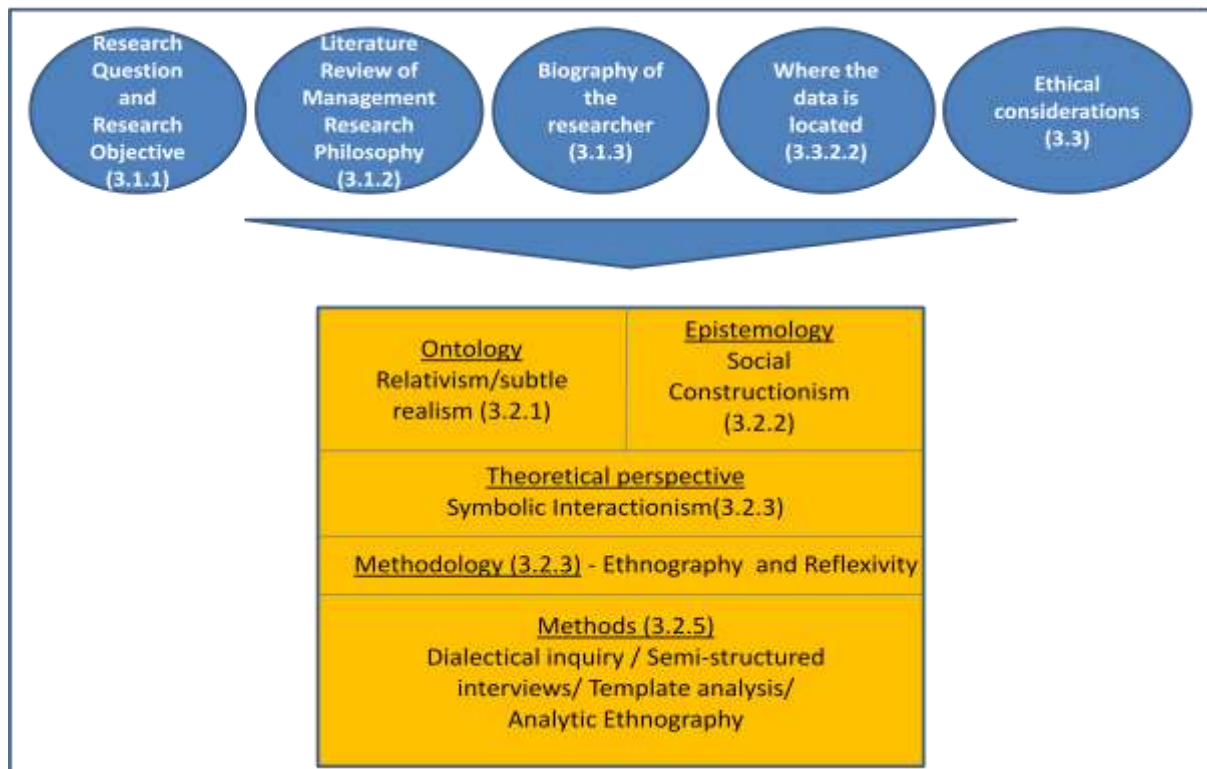
Secondly, Lynch's (2000) sub-meaning of *reflexivity* as 'methodological self-consciousness' is a reflection of the relationship between the researcher and informants of the information. And lastly, 'methodological self-criticism' is a confessional style of *ethnography* where the researcher details how the research is carried out and presented. Johnson and Duberley (2003) labelled the latter two sub-meanings 'methodological *reflexivity*'. Reflecting on firstly *ethnography*, as an actor myself in the industry, I was able to relate to the social phenomena described by the interviewees as we faced the same external factors of the industry. This reflection also helps me ensure that the phenomena constructed are on the basis of not my views, but their views. For example, if an issue is discussed with which I personally disagree, I will consciously try to further understand the new/different perspectives, to gauge whether there has been any miscommunication with language use, whether there is a new context or whether it is genuinely a new perspective. By comparing the constructed *strategy formation* practices found from the interviews and *strategy formation* with what I

have experienced and practiced myself, if the outcome is identical, then it indicates I am imposing my perspective. Fortunately, these were as a rule not identical; rather, there were similarities and visible differences that at times surprised me. This reflection process should therefore have increased the objectivity and reliability of the information gathered. Semi-structured interviews probably also allowed me to interact openly to seek these further details. The interviews became less structured, the more interviews I did. The respondent validation I carried out after reflecting on the first draft of the findings and analysis chapter was completed was also an outcome of the reflexive process.

3.7 Conclusion

I have reported in this chapter the factors that influenced the ontology, epistemology, theoretical perspective, methodology and methods of this thesis. The influencing factors include the research questions and research objectives, the management and strategy research philosophy literature review, and my biography as a researcher. The ontology informing the research philosophy is *relativism* with some elements of *realism*. Hammersley (1992) calls this *subtle realism*. The epistemology is *social constructionism*, which is uncritical of culture and where meaning is formed collectively. *Subtle realism* ontology and *social constructionism* then inform the *symbolic interactionism* theoretical perspective within *interpretivism*, with strong influence from *pragmatism* philosophers. The *ethnography* and *reflexivity* methodology is then chosen, supported by *symbolic interactionism*. The methods engaged in this research are a combination of *dialectical inquiry*, semi-structured interviews, *template analysis*, with strong elements of Lofland's (1995) *analytic ethnography*. The methods are employed following Denzin's (2001) six steps of the interpretive process. Consistent with my personal constructivist epistemology, the philosophical research approach as reported is my construction emerging from several revisions and iterations. Figure 3.1 below summarises the chapter. It illustrates that the chosen research philosophy, methodology, and methods were influenced by five major factors: the research questions and research objectives; literature reviews of management research philosophy; the biography of the researcher; where the data was located (Private HEI leaders); and ethical considerations.

Figure 3.2 Factors that influence the chosen research philosophy, methodologies, and method

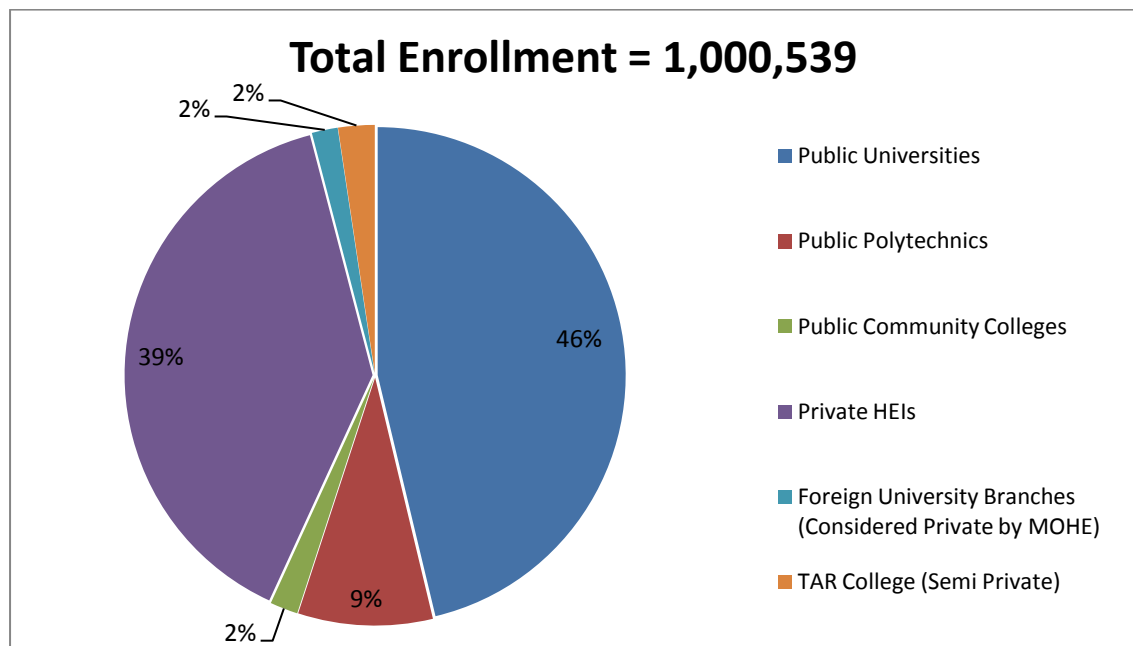


Chapter Four Industry Background

4.1 Overview

The Malaysian Private College and University industry is a relatively crowded, dynamic, and competitive industry. According to statistics published by the Malaysian Ministry of Higher Education (MOHE), there were 460 Private Higher Education Institutions (HEIs) in Malaysia with 484,377 enrolled students in 2009. In the same period, there were a total of 1,000,539 higher education students in all sectors in Malaysia (Ministry of Higher Education, 2010a). This translates to private HEIs holding a 46 percent market share of the higher education market in Malaysia. This is higher than the estimated 31 percent market share worldwide (UNESCO, 2010). Figure 4.1 details the breakdown of enrolment in the Malaysian Higher Education Sector categorised by type.

Figure 4.1 Total Malaysian Higher Education Students in Private and Public HEI in 2009



Source: Ministry of Higher Education, 2010a

The Ministry of Higher Education in Malaysia divides Private HEI into several categories. These include Private Universities, Private University Colleges, Private University Branches,

Foreign University Branch Campuses, and Private Non-University Institutions. Table 4.1 lists the number of HEIs and their total and average enrolment by private HEI category.

Table 4.1 Number of institutions, total enrolment, and average enrolment per HRI for each Private HEI category

Category	No. of HEI	Total Enrolment	Average Enrolment Per Institution
Private University	20	135,413	6,771
Private University Branch	22	53,865	2,448
Foreign University Branch	5	16,919	3,384
University College	20	87,055	4,353
Non-university Private HEI	393	191,125	486

Source: Ministry of Higher Education, (2009a)

The category of ‘Foreign University Branch Campus’ will be excluded from this research, as decision making in this category is not dictated by privately appointed senate and board members but rather by the parent universities of these branch campuses in the United Kingdom and Australia, which are public institutions. The universities represented in this category are: the University of Nottingham in Malaysia, Monash University Malaysia, Curtin University of Technology Sarawak, Swinburne University of Technology Sarawak, and Newcastle University of Medicine Malaysia.

In addition to Foreign University Branch Campuses, there are also several Private Universities that are semi-private. Although they are categorized as private by the MOHE, their ownership is indirectly held through government linked companies (GLCs), government agencies, or political parties. Private HEIs owned by GLCs include Petronas Technology University (owned by the national oil and Gas company, Petronas), the Multimedia University (owned by the national telecommunication company, Telekom Malaysia), and *Universiti Tenaga Nasional* (owned by the national electricity company, Tenaga Nasional). In addition, other semi-private Universities include the Open University Malaysia (concentrating on open distance learning programmes), *Universiti Tunku Abdul Rahman* (governed by a political party), *Wawasan Open University* (owned by a trust of a political party), and *University*

Industri Selangor (governed by the Selangor state government). Of the 20 Private Universities listed in 2009, only four are truly considered by the researcher as privately held and governed. They are the International Medical University, the Management and Science University, the Limkokwing University of Creative Technology and UCSI University. The researcher will exclude all semi-private HEIs from this research. This is in order to limit the scope of the research to truly private institutions, most of which are profit driven and are not funded from government related sources. This exclusion means that the findings of this study may not be fully valid for 'semi-private' HEIs worldwide, as opposed to truly private HEIs that do not receive government funding.

At the time of writing, there are several Private University Colleges that have been upgraded to Private Universities; they include INTI International University, Sunway University, Taylor's University, HELP University, and the Malaysian Science University. Private HEIs also have an enrolment of 58,294 of the total of 80,750 international (non-Malaysia) students in Malaysia in 2009 (Ministry of Higher Education, 2010a). This represents 72% of the total international student population in 2009, which contributed significantly to the country's services subsector and to demand for the Ringgit (Malaysia's currency). The large presence of international students may also indicate that Malaysian Private HEIs are globally competitive and attractive.

4.2 The development of Private HEIs in Malaysia

4.2.1 1985 to 1998 – The Introduction Stage –Twinning Programmes

The sector started to grow significantly in the late eighties as Malaysia experienced average economic growth in excess of 8% per year (International Monetary Fund, 2010). The sector was largely owned and driven by entrepreneurs. An undergraduate degree in English is also highly in demand given that Malaysia is a significant trading nation with large foreign direct investments and exports. Demand for skilled human resources increased and outstripped what the public universities could supply. The majority of institutions offered courses and programmes of a professional, engineering, information technology, and business nature (Wilkinson and Yussof, 2005). Most started developing their capabilities through collaboration with universities from the United Kingdom and Australia. This collaboration started with foreign universities in the United States, United Kingdom, Australia, Canada and New Zealand recognising credit studied through these private HEIs for credit transfers. These arrangements have continued with universities from the United States until today.

Universities from the United Kingdom and Australia started innovative twinning programmes as early as 1987. The first twinning programme was offered by the Metropolitan College in collaboration with RMIT University, Australia, for Business degree programmes. Under these twinning programmes, students study the same subjects as their counterparts in Australia or the United Kingdom in the first one or two years of study before transferring to the parent university in the second or final (third) year. In the initial years, the subjects were taught by lecturers seconded to the Private HEI from the parent university. This reduces the cost of obtaining a degree from an English-based foreign university. These arrangements are unique and innovative. An interviewee commented that these arrangements were “the first in the world”, and many countries try to emulate this model with similar arrangements for their country. Some of these Private Malaysian HEIs even have branches in China and neighbouring countries so as to be able to offer these twinning programmes outside Malaysia. These programmes are also sometimes known as “1+2” and “2+1” programmes, where the first number indicates the number of years in the local private HEI and next number indicates the number of years at the parent universities overseas.

The popularity of twinning programmes drove the Private HEI sector tremendously due to the attraction of gaining a prestigious foreign degree at reduced cost. Total enrolment at Private HEIs grew from 15,000 students in 1985, to 35,600 in 1990, and 127,594 in 1995 (Lee, 1999b, cited in Tan, 2000. P.126). These twinning programmes also drove up the number of Malaysian students studying overseas, which increased from 50,600 in 1995 to 117,297 in 2005 (Tan, 2002; Ministry of Higher Education, 2006). This increased the familiarity of Malaysian graduates with higher education systems and institutions in the United States, United Kingdom, Australia, New Zealand and Canada – which in turn led to higher acceptance and recognition of these institutions, driving demand for these foreign degrees even higher.

4.2.2 1998 to 2003 – The Growth Stage- 3+0 Programmes

Prior to the 1996 Private Higher Education Act being approved by the Malaysian Parliament, Private HEIs were not allowed to confer degrees, although many offered Certificates and Diplomas that were recognized for exemptions by foreign institutions. During the 1998 financial crisis, the Malaysian Ringgit dropped in value from 2.50 RM/US Dollars in July 1997 to 3.80 RM/US Dollars in September 1998 (International Monetary Fund, 2011). Pressures were faced by students and families who could not afford to transfer to foreign universities to complete their degrees. The government also faced speculative pressures from the collapse in the Ringgit's value and increased expenditure from higher fees paid to foreign universities for government-sponsored students.

In 1999, facing this economic pressure, the government allowed full degrees to be offered in Malaysia by local private HEIs, removing the need for them to transfer their students in the latter years to their respective partner parent universities overseas. The government tried to encourage Private HEIs to play an active role (Lee, 1999). These programmes, known as “3+0” programmes, became the most popular programmes for the sector. With this option, students now pay a third or less in tuition to the local Private HEI while being awarded a degree regarded *pari passu* as those conferred by the conferring parent university overseas. With such full degrees being economical and convenient, student numbers exploded at Private HEIs. The number of students enrolled in Private HEIs grew to 203,391 in 2000 from 127,594 in 1995 (Lee, 1999; Ministry of Higher Education, 2006). Meanwhile, student numbers studying overseas started to drop, and by 2002, despite the economic rebound, the

number of Malaysians studying overseas was only 42,780 (Ministry of Higher Education, 2006) compared to 127,594 in 1995.

By the year 2000, the programmes offered by Private HEIs had evolved from the twinning arrangements in the past to a model where the cost of study was significantly reduced. While these programmes are called “3+0” programmes, not all of the entire 3 years of study are based on the parent university curriculum. Typically, the initial 2 years of their 3 year degrees are validated as a local diploma conferred by the private HEI themselves. This unique arrangement further reduces the cost, as the franchised fees are no longer paid for Year 1 and Year 2 of a typical 3 year degree. Students instead enter a diploma programme conferred by the local Private HEI while it is validated by the foreign university partner. Graduates of these diploma programmes can then bridge over to Year 3 of the foreign university degree, either overseas or in Malaysia at the same private HEI that conferred them the diploma. These arrangements were dominant from 1999 to 2003.

These arrangements also started to attract more foreign (i.e. non-Malaysian) students, including some who could not get to the parent universities due to visa restrictions and many who were attracted by the lower fees and cost of living in Malaysia. By 2003, some 25,158 international students were fuelling the growth of the Private HEI sector (Ministry of Higher Education, n.d.a). The top two countries of origin for international students at that time were China (10,230) and Indonesia (4,138).

4.2.3 2004 to 2009 – The Maturity Stage - University Colleges

Students transferring from validated diplomas to final year degrees from foreign universities go through some level of discontinuity in their learning experience. Their local validated diploma curriculum may be similar to Year 1 and Year 2 of the foreign parent university but not an exact match. In 2004, the Malaysian National Accreditation Board ruled that these transfer arrangements within the same Private HEI (transfer from validated Diploma to Year 3 of a foreign university in the same campus) were disallowed. Private HEIs were forced to change to fully franchised 3+0 programmes where all three years’ curriculum is from the conferring foreign parent universities. Under this new ruling, costs escalated as a result of higher franchise fees paid to the foreign parent universities (typically itemised separately in student invoices). Private HEIs also incurred more operational costs, as their validated

diplomas that they had invested in developing were no longer in demand. Teaching staff had to be retrained by their foreign parent university partners, and academic processes such as exam boards had to be coordinated with a new set of bureaucratic processes from the foreign parent university partners.

The *1996 Private Higher Education Act* represented a policy shift that affected Private HEIs. The government started allowing Private HEIs to be upgraded into degree conferring Universities and University Colleges. Although the act was passed in 1996, most upgrades only took place in the period from 2003 to 2009. Many Private HEIs have had to invest significantly to meet the standards required for an upgrade. These include teaching staff qualifications and increased research and development initiatives. Those who did not make the upgrade risked facing declining enrolments as students preferred to study at a University status HEI. The upgrades however did not mean higher enrolment, as demand for degrees conferred by these newly upgraded conferred degrees has been slow: most upgraded university colleges continue today to have a larger proportion of their students at their full-franchised 3+0 programmes rather than their own degrees.

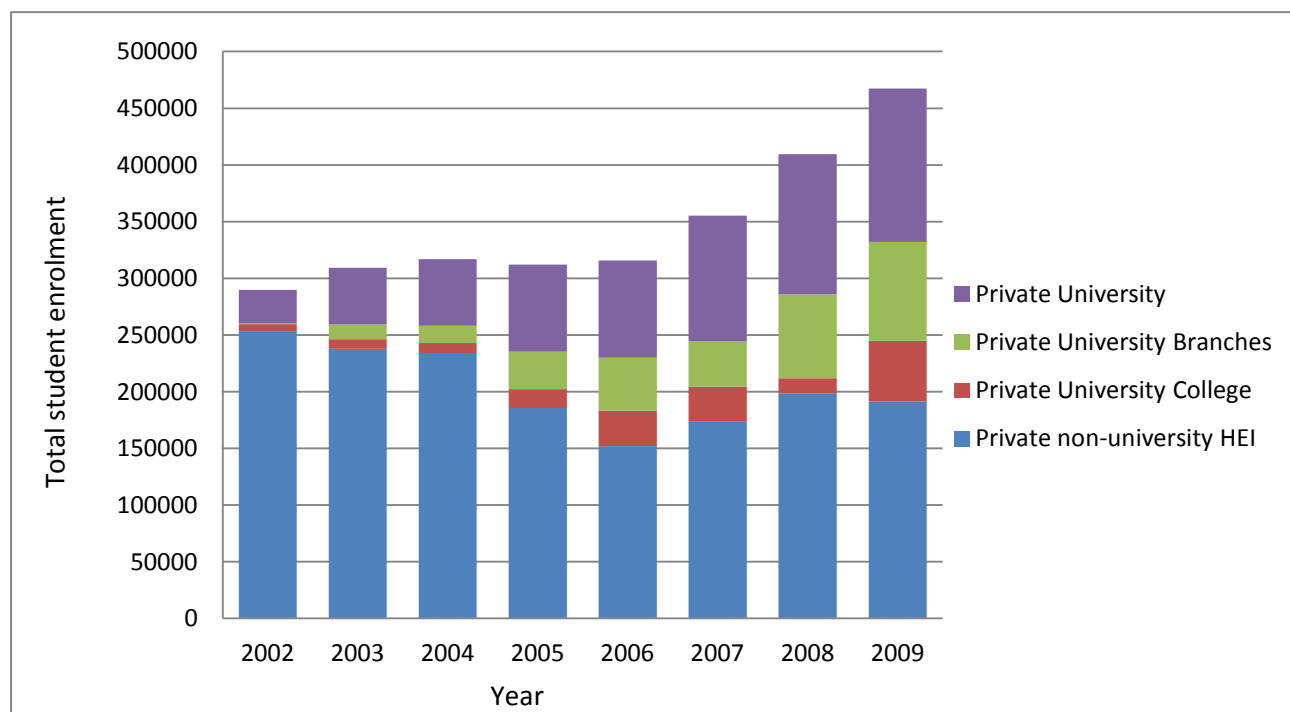
The private HEI sector was efficient in reacting faster than the public sector to the high demand for university places in the country, especially post the 1998 crisis. The government also steadily increased the number of degree-conferring universities through two initiatives. One was the start of new “Private Universities” owned and governed by government-linked companies, ruling political parties, and the Open University. (I have classified these as semi-private HEIs.) While there were none of these semi-private universities in the mid-nineties, in 2009 this researcher found nine in this sub-category. Second, the government has also invested heavily in upgrading polytechnics and starting new public universities around the country as the country progresses economically. The number of degree-conferring Public Universities has grown from 9 in 1995 to 20 in 2010 (Ministry of Higher Education. n.d.a).

Under the *Private Higher Education Act 1996*, selected foreign universities were also allowed to establish their branch campuses locally. As of January 2011, there are five such foreign branch campuses in Malaysia. These branch campuses have turned out to be major competitors of Malaysian Private HEIs in terms of recruiting high quality students. In 2008-

2009, the total enrolment at such foreign branch campuses was 16,919 (Ministry of Higher Education, 2010a).

These developments above, which include forced switching to full-franchised 3+0 programmes by the National Accreditation Board, higher costs and investments to become degree conferring universities and university colleges, competition from semi-private and public universities and lastly competition from foreign university branch campuses, have contributed to intense competition for quality local students, international students, and faculty members. Perhaps as a result, the Private HEI sector has gone through a period of slow growth from 2004 to the present, and profits from listed entities have dropped and, in some cases, turned into losses (Bloomberg, 2010). There are no reliable official statistics on enrolment figures for this period as figures published include the semi-private HEIs. However, an analysis from extrapolated figures shows that enrolment at Private HEIs dropped from 2004 to 2009. It is estimated that, in 2004, the enrolment of students at Private HEI was 347,000, while the extrapolated figure for 2009 was 317,000¹. Figure 4.2 shows that, while the overall official figures have increased, if enrolment at semi-private universities is taken out of the equation, there was a decline. Semi-Private HEIs, most of them government-linked, have become a competitor for student numbers.

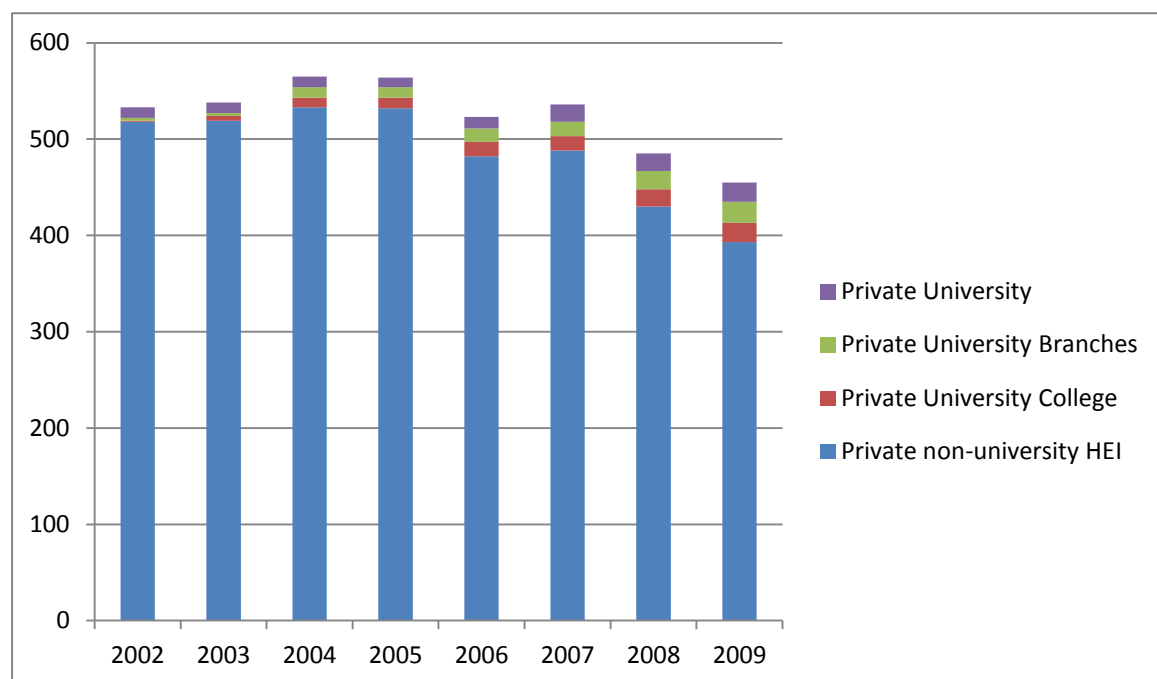
Figure 4.2 Total student enrolment by different categories of Private HEI in Malaysia, Year 2002-2009 (Semi private HEIs included)



Source: Ministry of Higher Education, 2010a.

In addition to lower numbers of students at these Private HEIs, the number of institutions in place also dropped from 2004 to 2009: from 565 in 2004 to 455 in 2009 (Figure 4.3 below). During this period, several Private Non-university HEIs were upgraded to degree-conferring universities or university colleges.

Figure 4.3 Number of Private HEI by Categories, Year 2002-2009



Source: Ministry of Higher Education, 2010a.

The analysis in Figure 4.3 shows that the private HEI sector peaked in 2004 (in terms of total student enrolment) and has been in gradual decline since then. The falls in both the number of institutions and total student enrolment since 2004 show that the industry is facing declining or maturing trends. Part of this decline has been caused by externally imposed strategy (enforced strategy) by the MOHE and National Accreditation Board – another example suggesting that externally imposed strategy could be an important strategy formation process for the industry.

4.3 SLEPT Analysis

PEST or SLEPT analysis is an appropriate analysis to give a wider overview of the industry. Since this is a highly regulated industry by the Ministry of Higher Education, using SLEPT is more justified than PEST, given the legal factor. SLEPT in this section represents the social, legal, economic, political, and technological elements Malaysian Private HEIs face.

4.3.1 Social

Studies by James and Benjamin (1988, cited from Wilkinson and Yussof, 2005, p.362) discovered that public higher education in Japan provides better facilities. James (1991) found that the student to staff ratio of private universities in Indonesia and Philippines were three times higher than public universities. The researcher also found that expenditure per student at private universities was, in most cases, less than half of that at public universities. Tilak (1991) found in Japan, Colombia, Brazil, Argentina, Indonesia, and several other developing countries that the teachers in private HEIs were paid less and had less academic prestige. Many were part-time, retired, and under-qualified. Johnstone (1998, cited in Wilkinson and Yussof, 2005) suggested that the role of research and the broad educational needs of society were less important to private sector institutions.

Wilkinson and Yussof (2005), in their comparative study between Private HEIs and Public Universities, concluded that Malaysian Public Universities scored better than Private HEIs in most of the factors that signal quality in higher education. They found that Public Universities employ a lot more senior and better qualified staff compared to Private HEIs. Private HEIs also have a higher student to staff ratio than Public Universities for the same field of study. They also found that in general Private Colleges do not possess a strong research base or the ability to develop and offer degree courses. Their social contribution, in terms of quality of education and research, is consequently less than that of Public Universities. Lastly, the researchers found that society perceives higher education at Public Universities as superior to those Private HEIs.

In conclusion, from the review of the above studies, in comparison with Public Universities that are funded by the government, the social contributions of Private HEIs are smaller. However, the existence of Private HEIs in Malaysia still provides a net positive social

contribution to the nation and society. Much of this is discussed in the previous section of this chapter. It is clear too from the stakeholder analysis in the previous chapter that Private HEIs also play a vital complementary role to Public Universities in social development and nation building.

4.3.2 Legal

Although the Education Act 1961 allowed for the setting up of private schools and colleges, higher education private colleges were strictly regulated and regulations and policy mainly follows the structure of the public sector. Given the growth potential and contribution of the industry starting from the late eighties, the government enacted the Private Higher Education Act 1996. This act governs all Private HEI license holders today, and is under the jurisdiction of Ministry of Higher Education. The National Accreditation Act 1996 was also enacted to establish a National Accreditation Board. In 2007, the function of the National Accreditation board was taken over by the Malaysian Qualification Agency (MQA). Among its functions are:

- to formulate policies on the standard and quality control of:-
 - (i) courses of study; and
 - (ii) certificates, diplomas and degrees
- to set, monitor, review and oversee the standard and quality of:
 - (i) courses of study; and
 - (ii) for accreditation of certificates, diplomas and degrees;
- to determine the level of achievement in the national language and the compulsory subjects specified in the Private Higher Educational Institutions Act 1996 as prerequisites for the award of certificates, diplomas and degrees; and
- to advise and make recommendations to the Minister for his approval of courses of study to be conducted by private higher educational institutions with regard to: (a) the suitability of arrangements relating to the educational facilities relevant to the courses of study; and (b) the standard and quality assurance of the courses of study.

Source: Ministry of Higher Education (n.d.b)

The MQA started actively setting, monitoring and reviewing Private HEIs from the year 2000. The MQA itself is staffed from the MOHE, and it also engages academicians from public

universities as reviewers. Some of the requirements stipulated by the MQA include minimum face-to-face lecture hours per credit, student-to-faculty ratios, full-time to part-time faculty ratios, lecturer qualifications, and minimum facility requirements. There are also minimum entry requirements and credit transfer and exemption policies closely following the policies of public universities.

Since 2000, many Private HEI have struggled to meet the minimum standards for their programmes to be accredited. The larger, more established ones have had to invest time to negotiate with their foreign university partners on curriculum, entry requirements, and transfer policies to comply with the MQA's requirements. Instances still exist today where a student transferring to a degree course from a recognised or validated Malaysian diploma is able to enter Year 3 at the parent university in the UK or Australia, but only Year 2 if they attend the Local Private HEI partner's 3+0 fully-franchised programmes. For example, a student with an INTI College Diploma in Business Studies can articulate into Year 2 of the University of Hertfordshire Degree in Business Administration at INTI College. However, if the student chooses to complete their degree directly at the University of Hertfordshire in the UK, they can articulate into Year 3.

Private HEIs offering part-time professional qualifications in the areas of accounting, business management and law struggle to meet face-to-face lecture hour requirements and full-time faculty requirements. The Malaysian Institute of Management, a well regarded business and management Private HEI, was the first Malaysian institution in Malaysia to offer a Master of Business Administration (MBA). They also from 1975 offered a popular and well regarded 2-year part-time Diploma in Management programme for working professionals. By 2000, this programme was deemed too short and as not meeting full-time faculty ratio requirements. In 2005, the Malaysian Institute of Management had to sell the majority of their Private HEI entity to a bigger private group. I was the Chief Executive of this Private HEI from 2005 to 2009 after it was purchased. In order to meet the requirements of the MQA, the Diploma programme had to be lengthened from 2 to 5 years part-time. The MQA also do not have a policy for recognised prior learning – relevant to experienced working adult students – as the public universities are not focused on adult learners. Nor does the Private Higher Education Act 1996 have exceptions for professional programmes

and programmes catering for working adults. This has caused difficulties for institutions who focus on, and students who belong to, this segment.

There are similar problems with professional programmes. For example, the Board of the MQA do not recognise programmes by certain professional institutes like the Chartered Institute of Marketing and Chartered Financial Analyst. This non-recognition of these globally accepted qualifications presents unique problems for Private HEIs. On the one hand there is high demand from the various industries for such graduates, and hence high demand from students for these preparatory courses. On the other hand Private HEIs are not allowed to offer these courses as they could not gain accreditation for a qualification not recognised by MQA. In response to these rules, many Private HEIs set up separate companies without a Private HEI license in order to be able to operate these professional preparatory courses. Since these HEIs do not hold a Private HEI license, they are not governed by the MOHE.

The legal environment described above has partly contributed to a decline in the number of Private HEIs. Private HEIs have become larger through consolidations, but these developments have increased bureaucracy as well as stifling innovation and flexibility to respond to market needs. As an example of the enlargement process, the average enrolment per Private HEI increased from 552 in 2002 to 1053 in 2009 (Table 4.1; Ministry of Higher Education, 2009 a). Achieving economies of scale for programmes also became increasingly difficult, and programmes across Private HEIs became increasingly homogenous as curriculum guidelines were drafted mirroring curriculums offered by Public HEIs. This increased regulation increased costs for Private HEIs, which contributed to declining profits. At the same time, it may be true that these additional regulations have led to a gradual increase in the quality of the programmes and services offered.

Given the highly regulated nature of the industry, the MOHE and MQA are regulators that can exert powerful influences on Private HEIs. Unlike in the west, the MQA as an accreditation board is not independent, but rather an agency that reports to the MOHE. This lack of independence of the MQA from the MOHE weakens the effectiveness of governing the industry. All board appointments at the MQA are made from the MOHE, and this allows political interference and lobbying by interest groups to affect the MQA. All the large Private

HEIs that I have come to know and reviewed have as their Chairman or among their board members former regulators from the MOHE or MQA. Many also have members from governing coalition political parties, former cabinet members of parliament, or in some cases retired senior personnel of Public Universities. Their main functions are to maintain good relations with the MOHE, MQA and other government bodies. Maintaining good relationships with the government which controls the MOHE is viewed as important by many businesses in Malaysia. At times, these special relationships with government are bound together by third parties such as agents, consultants, or relationship-builders (Schaffrath and Lee, 2009).

As described earlier, the MOHE establish a quality rating list of all the Universities which includes Public, Private and Foreign Universities (Ministry of Higher Education, 2010b.). In November 2011, the ministry published a new rating system for non-university Private HEIs, named Malaysian Quality Evaluation System for Private Colleges (Ministry of Higher Education, 2011b). With these new measurement that signals quality of each HEI, these may become significant influencers to a Private HEI *strategy formation* process.

In conclusion, the MOHE and MQA are extremely powerful actors in the industry which have a strong influence on the strategies Private HEIs take. The presence of these powerful external actors indicates the importance of externally imposed (enforced) strategy formation processes.

4.3.3 Economic

There has been debate on the role and potential benefits of private higher education for society. Patrinos (1990) and Balan (1990), as cited from Wilkinson and Yussof (2005), argue that a major advantage of private higher education is its ability to respond more quickly and efficiently to market demands. Wilkinson and Yussof (2005) did a comparative study between Private and Public HEIs in Malaysia based on data collected in 1998. They discovered that Information Technology, Engineering Technology and Economics and Business Studies make up over 90 percent of the total enrolment at Private HEIs as compared to 30 percent at Public HEIs. The authors explain this as probably being due to excess demand for these fields of study, combined with the fact that they are areas where economies of scale can be achieved at relatively low levels of output and capital

expenditure. The difference in Information Technology is particularly striking, with 43 percent of Private HEI enrolment in this field of study compared to only 4 percent at Public Universities. Thus, from the perspective of filling gaps in fields of study where public HEIs cannot meet demand, Private HEIs have played a significant role, thereby contributing to human resource development in the fields of Information Technology, Engineering, and Economics and Business.

The development of the demand for Private HEI education in Malaysia can be aptly described by two provisions: *excess demand* or *differentiated demand* described by James (1991). *Excess demand* reflects a general deficit which arises because of the limited public resources to provide for a substantial number of qualified students, whereas *differentiated demand* arises from the desire of students for specific forms of higher education, either to seek special skills and knowledge which include technical or socio-cultural factors, or simply to seek better quality. In the Malaysian context, the period from the mid-eighties to the late nineties can be considered more as one of *excess demand*, while since 1998, the main element has been *differentiated demand*. This is reflected in the fact that a significant portion of students in the former period had to seek higher education overseas regardless of their field of study. In the later period, as Wilkinson and Yussof (2005) concluded, there were opportunities for study in fields like Education and Applied Science in the Public Universities for which there was insufficient demand.

Wilkinson and Yussof (2005) mentioned that Private HEIs are not research-based institutions and, furthermore, do not design their own degree programmes. Most of their academic staff are for teaching purposes. The initial twinning and later fully-franchised “3+0” arrangements have made private colleges more flexible in offering courses, compared with well-established public universities. This is because Private HEIs do not have to invest in curriculum development or in faculty members experienced in developing new course materials and programmes. This flexibility of response seems more apparent for courses that have a high rate of change, such as Information Technology and Engineering Technology programmes.

Specific differentiated demand in Information Technology and Engineering Technology programmes may also be a result of the Malaysian National Policy of developing computing

technology through establishing the Malaysia's Multimedia Super Corridor, an initiative to attract multinational technology companies to Malaysia to a location (Cyberjaya) in the Klang Valley close to Kuala Lumpur through tax incentives and government support (Malaysia, 2001). The lack of a skilled information technology work force was a major hurdle for the country in spurring growth for this sector. Private HEIs played a major role in supplying technology skilled labour to this sector. Jimenez and Tan (1987) and Patrinos (1990), cited in Wilkinson and Yusoff (2005), further explain that by providing the type of education most in demand, the private sector responds to the needs of the economy and society, and for their part graduates get better-paid jobs.

Another feature unique to the Malaysian market is that most of these Private HEIs teach using the English language medium, which is preferred by a segment of students over the Malay language medium often used in Public HEIs. English proficiency represents a significant economic advantage for graduates seeking to achieve better paid employment. Proficiency in this language is encouraged by the government and industries, as Malaysia competes economically on the global stage. The Private HEI sector has assisted Malaysia in its efforts to achieve global competitiveness and have a more highly educated workforce as demanded by industry.

Wilkinson and Yussof (2005) mentioned the concept of *economic efficiency*, which is achieved when customer demands are satisfied precisely at minimal cost. The researchers concluded that while Private HEIs might be more efficient in terms of utilising educational resources, public universities were superior in the quality and nature of provision.

In conclusion, the Malaysian Private HEI sector has contributed significantly to meeting the demands of tertiary education for the country.

4.3.4 Political

The nature of the political economy in Malaysia has helped create demand for Private HEIs in Malaysia. The demands for Higher Education of Malaysians with Chinese ethnicity have not been met by the public sector. This is partly due to the implementation of the 1970 National Economic Policy, which includes affirmative action as regards access to Public HEI places. This affirmative action policy has been implemented mainly through a two-tiered

entry policy to Public HEIs. The first route is Malaysia's A-level equivalent called the *Sijil Tinggi Pendidikan Malaysia* (STPM). This exam is taken by students completing two years (Lower Sixth Form and Upper Sixth Form) of study in a high school after their O-level equivalent called the *Sijil Pendidikan Malaysia* (SPM). However, there is a second route to gain entry to Public HEIs through the "Matriculation" route. This route allows students to enter a Public University's matriculation programme directly from the national O-Level equivalent SPM. Only 10 percent of the "Matriculation route" places are available to non-bumiputra students (mainly Chinese and Indian) (Ong, Lee, and Pua, 2005). The latter route is commonly argued and perceived to be significantly less vigorous in terms of academic content, a less extensive syllabus and easier assessments. For example, the STPM is 100 percent exam-based, while Matriculation has significant assignment components (Ong, Lee, and Pua, 2005). Because of the quota system, most ethnic Chinese are unable to gain places via the Matriculation route, and therefore find it more difficult to gain university entry.

There is a second factor spurring ethnic Chinese student demand for Private HEIs. There are 64 registered Chinese Independent High Schools around the country. The existence of these schools has been staunchly defended by Malaysians of Chinese ethnicity and by the political parties that represents this community. These independent schools follow a different curriculum from national schools, and their students are not required to sit for the nationally recognised *SPM* or *STPM* exams set by the *Malaysian Examination Council*. The exam these students take is called the *United Examination Certificate* (UEC) – which is not recognised for entry to Public HEIs. Before the existence of Private HEIs, students from these Independent Chinese schools mainly went on to do their degrees in Taiwan or Singapore. Private HEIs however accepted these students and later familiarised their foreign university partners with these Chinese language high school certificates. Over the years, with the indirect assistance of Malaysian Private HEIs, universities in the United States, United Kingdom, Australia, Canada, New Zealand and many other universities have come to recognise this certificate as an entry qualification into HEIs in these countries. Yet as of 2011, and despite intense lobbying from the ethnic Chinese community and its political parties, the UEC certificate was still not a recognised qualification as entrance to Public HEIs in Malaysia. Therefore, the demand for alternative Private HEIs remains. There are risks for Private HEIs that student demand could fall if the government eventually recognises the UEC certificate for entry to Public Universities.

In recent years, some ethnically Chinese based political parties that are part of the ruling coalition government have succeeded in setting up Private Universities. The Universiti Tunku Abdul Rahman (UTAR), started in 2002, and the Wawasan Open University (WOU), started in 2007, have both dented the demand for Private HEI programmes. These institutions are considered semi-private in nature, and the fees they charge are very similar to the Public Universities. Their sources of capital expenditure mostly comes from donations and philanthropists, in addition to some government assistance.

The political environment has created a unique specific demand for services provided by Private HEIs. However, the existence of two semi-private universities is increasingly putting pressure on demand. The industry could face serious risks if more semi-private universities are set up or upgraded, for example the Tunku Abdul Rahman College. These semi-private HEIs recognise the UEC certificate for entry – a fact which presents a further threat to fully Private HEIs.

4.3.5 Technology

The Education Act 1996 technically allowed Private HEIs to offer distance learning courses. With the improving technology, this mode is becoming increasingly popular, especially for the working adult market. It also presents an efficient option where Private HEIs do not have to invest heavily on buildings and structures. In addition, given their links to foreign universities, Private HEIs can meet specific demand for specialised programmes very quickly as these programmes are available on a distance learning mode at the foreign university. It will also be easier and faster for Private HEIs to achieve economies of scale in offering these programmes.

However, the MOHE have been very conservative in allowing Private HEIs to offer courses through distance learning. Their main concerns were the quality of the services students might receive and the difficulty of policing the Private HEIs. The ministry initially allowed three semi-private institutions to offer degree programmes on a distance learning mode, and these universities were granted private distance learning HEI licenses. The first was the Open University Malaysia, owned by a consortium of 11 public universities, in 2000. This was followed by Universiti Tun Abdul Razak (UNITAR), owned by the Government Linked Company KUB Malaysia Berhad, and then the Wawasan Open University (WOU), owned by

an education foundation (trust) belonging to an ethnically Chinese based political part. Since 2009, there have been several additional semi-private universities who have been allowed to offer distance learning programmes; however, fully Private HEIs have still not been allowed to gain accreditation to offer distance learning programmes.

This unlevel playing field between semi-private and private HEIs with regard to distance learning programmes serves another challenge for the Private HEI sector, especially in the professional working adult segment.

4.4 Conclusion

I have given an overview of the Malaysian Private HEI sector in this chapter; a historical overview of the development of the sector in the last 25 years, divided into three periods. These three periods can almost be depicted by the Industry Life Cycle (Porter 1980): the first period, from the mid-1980s to 1998, being the “Introduction stage”; the years from 1998 to 2004 being associated with the “Growth Stage”; and the years 2004 to the present being the “Maturity stage”. There have been no indications as to when or whether the sector has reached the “Decline stage”, but the SLEPT analysis performed in the latter part of this chapter presented several risks and challenges for the sector. The SLEPT analysis performed shows that the sector faces a highly challenging future. There are more risks and threats than opportunities. The magnitude and number of changes in this sector are also high compared to higher education sectors in the developed world.

Lastly, the context of this industry’s environment can be viewed as rather unstable. In the history of 25 years in the Private HEI sector in Malaysia, the industry has experienced a high degree of change. Programmes offered have evolved significantly. Demand conditions have changed as well. Strategies have changed and, given the challenging environment, will continue to change. Some of these changes were externally imposed by the MOHE and MQA – again, an indication of the importance of externally imposed strategy formation.

Chapter Five Findings and Analysis

In this chapter, I will discuss the emerging themes, findings, and phenomena of the study. They were constructed from the interview transcripts coded into templates and the literature reviewed (Chapter 2), using the methodology and methods described in Chapter 3. I will report findings separated into specific deliberate and *emergent strategy formation* processes. For each process, I will report on the how *strategy formation* takes places, the reasons for such processes to be employed, and the private HEI leader's perceived effectiveness and criticism of the process. Therefore, the structure used was; how, reason, effectiveness, and criticism.

Each section will include analysis that relates to literature and constructed themes/phenomena. Interview scripts were coded and arranged, using template analysis, into themes/phenomena and findings. This was done through inductive reasoning. Literature reviewed that related to the themes was then inserted into the templates to support the themes/phenomena constructed. Lastly, the findings were compared with my personal biases confessed to in the reflexive diary. Themes/phenomenon that were consistent with my biases were then revalidated from the interview scripts and templates to ensure that the given phenomenon/theme originated from the interviewees and not from biased probing or interpretation by me.

Appendixes C and D list the quotes from each interviewee that mention the application of each of the strategy formation processes. Appendix C lists deliberate strategy formation processes, viz. externally imposed strategy, strategic planning system, and strategic leadership. Appendix D lists emergent strategy formation processes, viz. incrementalism, resource allocation process, cultural/symbolic, and political/generative. In both appendixes, the shaded cells indicate the most significant (important) process the interviewee identified. I did this by asking the interviewee to choose the most significant process among the processes they had described. I also performed a content analysis by counting how many interviewees mentioned each process, in order to determine how widely employed the processes were.

5.1 Deliberate planned strategy formation in Malaysian Private HEIs

The findings relating to a *deliberate strategy formation* process are divided into *externally imposed strategy*, *strategic planning systems*, and *strategic leadership*. The table attached in Appendix C presents the interview quotes found as evidence of each *deliberate strategy formation* process identified from the interviews. This is the outcome of the *template analysis* performed from the transcripts, and the shaded cells identify the most significant process from each leader's perspective.

5.1.1 Externally Imposed Strategy

One commonly found *strategy formation* activity is *externally imposed strategy*. The common powerful external stakeholders identified for the Malaysian Private HEI industry are the Malaysian Ministry of Higher Education (MOHE) and the Malaysian Qualification Agency (MQA). The National Higher Education Fund Corporation (PTPTN), of which many Private HEI students rely on to pay their fees, disburses funds only for fully MQA accredited programmes. This effectively means that, if a programme fails to gain full accreditation, demand will be greatly diminished. For some other instances, professional boards such as the Nursing Board were also significant external stakeholders.

According to the evidence attached in Appendix C, all interviewees with the exception of Interviewee 2 mentioned that *strategy formation* was influenced by these powerful stakeholders. This means strategies formulated and put into action are highly influenced by these stakeholders.

'I would say they are prerequisite, whatever the government wants. They are prerequisite, you cannot escape, staff-student ratio, staff qualification, staff experience, staff ratings in the manner that they have described. The teaching logs, exam papers, moderation exam papers, answer scripts, marking schemes. These are prerequisite.' (Interviewee 4)

The following quote shows how the MQA influences strategy put into action, which forces deliberate planning.

'All have compliance issues. You cannot say 'oh I'm short, I have another intake'. All intakes must be registered. The MQA must know your calendar dates. When they come and do the accreditation, they will look what were the approved intake dates. And your students. How come you got all these funny funny ones. The number of

weeks per semester - all must inform. There is a slight leeway on the number of weeks and so on but they are informed in advanced so you cannot play a fool with them.' (Interviewee 4)

Interviewee 3 and Interviewee 4 revealed that their institution had allocated more staff resources to deal with the MOHE, MQA and various professional bodies than to their corporate planning department.

'Basically if you are good, you just put a set of people to just comply with it. If you are a small institution, you may need to only have one person to do all the work. If you are a bigger institution, you will have 3 or 4 to get all these things done.' (Interviewee 3)

5.1.1.1 *Reasons for External Imposed strategy formation*

All the evidence above, including quotes from Interviewee 3 and Interviewee 4 in Appendix C, show the influence from the compliance perspective. Most Private HEIs view full compliance as a pre-requisite for being in the business. According to Interviewee 3 and the industry overview in Section 4.4.2, the *Higher Education Act 1996* started to take effect from about 1998, and compliance with the new policies in the act became a big issue for Private HEIs at that point in time. During the period from 1998 to 2005, many were not able to fully comply and their licenses were revoked. Those who fully complied and gained accreditation first for programmes in demand had a significant first-mover advantage. However, the influence of the act became less important as most major Private HEIs gradually became able to meet the minimum standards and requirements.

'The MOHE and MQA are among the key factors influencing our strategies. I would not say that their influence is getting weaker as all players in the industry have adjusted their strategies towards this influence.' (Interviewee 1)

The termed 'influence' in the quote equates to the imposition of policy and regulations on the institutions. There are continued new developments and influences when it comes to the MOHE and MQA as important external influencers. Since 2005, Private HEIs that have complied and met the minimum standards have been upgraded to University College status. Those competing Private HEIs who were not upgraded in this way suffered reduced demand as students perceived University Colleges as more reputable and attractive than mere HEIs (College). Some of the latter have had to merge or have been sold to groups whose main campus is a University College. Since 2009, the biggest institutions have been competing to be upgraded to University from University College status. So the issue of compliance has

moved on from basic compliance to achieving an upgrade in status. Interviewee 1, quoted in Appendix C, mentioned how his strategy formulation follows the criteria of the *Malaysian Assessment Research Instrument (MyRA)*, an audit tool the MOHE use to assess the research quality of universities. A strong MyRA rating helps a Private HEI to be upgraded.

The future possible influence of the MOHE may shift from upgrading to Quality Ratings. As described in Section 4.2.2, the MOHE has published two Quality Ratings. The first, for University and University Colleges and called SETARA, was published in 2010. The second, for Private HEIs and called MyQuest, was published in November 2011. The influence of these quality ratings may not be reflected in this study, as the interviews for it were carried out during the first rating and before the second rating came into being. However, I would expect these to be a significant future influence on Private HEIs' *strategy formation*. Institutions are likely to focus on strategies that improve the areas measured in the ratings.

Interviewees 4, 5 and 8 mentioned that they look for opportunities and directions from the MOHE and the government as they believe that the direction of the ministry will have a strong influence on the industry's direction. One example was that the MOHE identified the need to increase the number of qualified nurses in the country, because demand could not be fulfilled by Public HEIs. This led to many Private HEIs seeking to fill this gap, which in turn led to a proliferation of nursing colleges and programmes. When the supply of places eventually became too high, the MOHE then announced a moratorium on new nursing programmes in 2007 (Malaysian Legal and Tax Information Centre, 2010). Private HEIs which had not developed nursing programmes earlier missed the opportunity. In short, first the creation of a new opportunity to offer nursing programmes, and later the rejection of new nursing programmes, were entirely imposed by the MOHE.

'But it is not because we work well with the Nursing Board or with the MOHE. It's just that we saw the opportunity not taken up and many people are having the mindset.' (Interviewee 8)

'The ministry says we need a lot of engineers. These are all the government's reports, you know. So many, we're short of so many engineers...so we set up a big engineering faculty in Nilai.' (Interviewee 4)

Another reason for the application of externally imposed strategy formation was that this process was brought over by Private HEI leaders who had experience in Malaysian Public HEIs. As reported, the practice of *externally imposed strategy* by the MOHE was dominant at Public HEIs. Many Private HEI leaders (and founders) started their careers at Public HEIs since there were no Private HEIs before 1986. In fact, three out of our eight interviewees had significant Public University experience. This is consistent with the Collier, Fishwick and Johnson (2001) study, which found that managers in public sector organisations tend to see strategy as externally imposed more than managers in commercial businesses. The authors found that public sector managers believed that their strategy was imposed by the regulator or government policy. The managers' involvement in strategy formation was less than in private enterprises. In other words, a deliberative process with plans formed/decided by the regulator/government.

Interviewee 6 boldly revealed that there are institutions that focus on how to circumvent the regulations through creative solutions and 'investing' in special government relationships. The interviewee claimed that these practices created an unbalanced competitive field, as many others have to make high investments to comply or upgrade. The non-independence of the MQA from the MOHE had caused a system that lacks proper checks and balance and this had led to market imperfections. The MQA and MOHE received regular lobbying from political agents that allowed creative solutions and unbalanced policing of Private HEIs.

'The classic example would be -----, ----- are well known for this. A book should be written about this fellow, whatever his name is, on how he did it in detail mass producing nurses without committing to practical training. You talk to any hospital people, they mention -----. They mention first, we don't have any agreement with them and we have no choice but to take them because they use the daughter of the Sultan of -----'s name because she is the chairman or something like that, and whether she has got investment or not, I don't know. But she is stupid if she has got no investment... who dares to go against the Sultan. So he did a lot of things. The staff-student ratios never follow.' (Interviewee 4)

Interviewee 6 described how his institution ran out of capacity (facility) on a three-year old campus when the PTPTN approved their nursing programme for a 100 percent loan unexpectedly. This led to many problems for other schools in the campus as the other schools had to be moved out to cater for the nursing programmes. Deliberate externally imposed planning is required to deal with such uncertainties stemming from an external stakeholder. This evidence and analysis is consistent with Hannan and Freeman's (1997)

'forced' *strategy formation*, which concluded that accurate assessment of the external environment is essential and the strategic alternatives that follow must be consistent with the organization's powerful external stakeholders.

The findings above suggest Private HEIs face a changing environment imposed by the MOHE and MQA. The initial issues were around complying with the 1996 Higher Education Act. This was followed by Private HEIs competing to be upgraded to University College and University status. The future may involve chasing good Quality Ratings published by the MOHE. The strategic imperative will be to focus on and improve those aspects being measured by the Quality Ratings. These are seen as coercive constraints imposed by powerful stakeholders. Private HEIs may also face market inefficiencies where they are not treated with equality. Hannan and Freeman (1989), Bailey and Johnson (1995) and Gunby Jr. (2009) suggest that *externally imposed strategy formation* is one that may be suitable for companies facing dynamic environments, coercive constraints, and market imperfections. Therefore, the reasons identified for the employment of this *strategy formation* process are consistent with the literature reviewed.

5.1.1.2 Effectiveness and Criticism of Externally Imposed Strategy

During the interviews, the participants also made comments regarding the effectiveness of *externally imposed strategy formation* process in Malaysian HEIs. Analysing the effectiveness of the strategies employed is important to this study as it may reveal specific reasons why a process was employed, but not effective. Further research can then be performed to increase the effectiveness or find other, alternative processes. Based on their opinions, the effectiveness of *externally imposed strategy* was considered positive despite the fairly large investments institutions have to make to comply with the requirements.

'Compliance is one of the strategies. You have no choice. Why? Because they will withdraw your license or they will take away your accreditation and you don't get students. Your staff also will start to leave. They will kill you. So that one is extremely important so there is no choice, compliance and it is a good strategy to comply.
(Interviewee 3)'

However, criticism regarding external imposed strategic formation was also heard from the interviewees. For example, the same interviewee regarded the process as stifling creativity.

‘But it became more like a chore kind of thing you know. It’s no longer like something you do creatively, making it exciting and your life more interesting. But it’s just you need to comply with it.’ (Interviewee 3)

In summary, *external imposed strategy formation* has played an important role in Malaysian Private HEIs. The MOHE is the powerful stakeholder influence. The main initial reason for external imposed *strategy formation* was compliance with the regulations. Later, the desire to achieve university status became the driving force. In the future, quality ratings such as SETARA and MyQuest may become significant influences. Besides these, the dynamic environment and leaders with significant public sector experience encourage this process. Generally, the interviewees regarded the process as effective, although one interviewee thought it stifled creativity. Perhaps this external process could be combined with other emergent strategy formation processes to increase creativity?

5.1.2 Strategic Planning System

Referring to Appendix C, the content analysis performed found that five out of eight interviewees mentioned *strategy formation* as being influenced by the strategy planning system process. Of the five, however, only one (Interviewee 1) identified this as the most important process. Quoting Interviewee 1, who heads a strategic planning committee:

‘This committee, the task of the committee includes formulating the strategy. Basically we, as a private education provider, our aim is still the bottom line, student enrolment. So, with that in mind, of course we do have our vision, mission, and objectives. The obvious one is still the student enrolment, student numbers. And with that aim in mind, so we formulate a number of action plans for all the functional areas or strategic business units and this committee will look after the formulation and also implementation.’ (Interviewee 1)

Adding to interviewee 1, further evidence of *strategic planning systems* can be found from a Private HEI Principal’s quote:

‘Strategy, to us, they have a few different perspectives. One perspective of it is you plan. You plan by looking at the environment. And then there must be action. The other part of strategy is you look at the resources you have. The objective that you want. And then be able to monitor. So this is another part of strategy. Then another part of strategy again that talks about getting the right people to ride on the right bus to go to the correct destination.’ (Interviewee 6)

Interviewee 1 and 3 mentioned the use of 5-year plans, commonly used and referenced from strategy textbooks (Steiner, 1979; Chakravarthy and Lorange, 1994). However, Interviewee 4 prefers 3-year plans due to pragmatic considerations.

'But realistically, it should be 3 years because it follows one student cycle at the college. So that you don't waste a lot of time planning for things that you are going to change. If you make it a 5-year plan, your first year, you already don't achieve what you set up this thing. Your second year, the bifurcation becomes greater and greater. So if you have a 3-year plan, it's easier to make adjustments here. And I also make adjustments here to achieve this, here I must do certain things so the adjustment here is more practical, more on the ground.' (Interviewee 4)

This pragmatic preference for a shorter planning period of 3 years rather than 5 years may reflect the need for more frequent changes in plans driven by the unstable environment. An unstable environment was one of the conclusions from the SLEPT analysis reported in Section 4.4.

There is also evidence that *strategic planning systems* have higher influence at institutions that are centrally controlled and *mechanistic organisations*. Six of eight interviewees (Interviewees 1, 3, 4, 5, 6, 8) referred to their institutions as centrally controlled; and five of these (except Interviewee 5) indicated that strategic planning processes were being employed (Appendix C).

'If they want to initiate change, they look at the data and because they're centralized, they press a few buttons, all the graphs are there. Then they sit down and say, if we make a change like this, this is the impact and this is how our income is like this and like that. Fantastic, it's very powerful.' (Interviewee 4)

'My sense is that centralisation has probably increased overtime. I have not been in --- for that long but I think because they want to standardise as many processes as possible and because also there is lack of capacity within the faculty level on many of these things. Hence, even on the marketing side, the advertising side, there is the component that deals with advertising. There is also a component that deals with branding. And there is group corporate affairs on the corporate communications side that actually does a lot of leg work for the individual faculties.' (Interviewee 5)

'But our main ideology is always centralisation, which is the main reason how we want to control. These branches that we open up are a strategic plan. I know the strategic moves.' (Interviewee 8)

‘So far I have tried not to burden the heads with too much on what new things they need to do. Other than in that budgeting exercise, we do ask them to stay constant. Next year, how many students do you forecast? How many can you take? Then we ask them about the resources needed to support this.’ (Interviewee 3)

Interviewee 8 gave deeper insights into their *strategic planning system*, which is decentralized/bottom-up for strategy formulation but put into action in a centralised manner.

‘We decentralized in the sense that we empower them to see which staff, what they require and all that, inform us and also we make things easy. Because you see the weakness of centralization. So where we can, we allow the branches to make their own decisions. We are just there to facilitate only.’ (Interviewee 8)

In the above instances, *strategic planning systems* seem to be supported by centrally controlled organization structures. Interviewee 8’s description is a more complex system, where strategy formulation takes a decentralized bottom-up approach while action is deliberately planned and controlled centrally. It is not clear whether *strategic planning systems* cause *mechanistic* structures or vice versa; however, the evidence suggests that *strategic planning systems* complement *mechanistic* organization structures. The findings concur with Mintzberg and Waters (1985) and Campbell and Goold (1987), who first identified this link. Slevin and Covin (1997) later empirically supported this link.

All interviewees except for Interviewee 2 have high regard for the system. They often linked strategy to specifically ‘opportunities’ and ‘threats’ within the *SWOT* analysis framework.

‘And so far, we have been so blessed. So far, nothing has happened. We achieved our objective. So far, I have used strategic planning in many of my business dealings, I have yet to fail. From a strange point of view. And I believe its strategic planning. Honestly.’ (Interviewee 6)

Interviewee 8, quoted in Appendix C, described their analysis about opportunities as often backed by some rational quantitative driven analysis of market sizes, competitor analysis and location studies. However, other interviewees revealed that opportunities and threats rarely emerged as a result of detailed, rational analysis and planning. Analyses were rather ad hoc to mine information to be used for a decision that needed to be made. This was not consistent with the *strategic planning systems* described in Kukalis (1991) and Hart (1992). Below Interviewee 8 seemed to contradict his account of detailed rational analysis claimed earlier, describing a more incremental process of identifying strategies.

‘Having said that, when we set up, we do believe that our strategies are right. Some of the things we considered were: they always think that you will have to pay the nurses in order for them to study. But we look at it the other way around. We said, why don’t we get the nurses to pay? Because there is such a huge market for them, in terms of employability. Then we also realized that there will be weaknesses because there are families unable to pay for some of the course fees.’ (Interviewee 8)

I conclude from this that Interviewee 8 uses quantitative analysis to aide decision-making on opportunities, and not necessarily *strategy formation* process.

There may be a few contextual circumstances that may explain the lack of detailed rational analysis in these *strategic planning systems*. The first is resources. None of the interviewees revealed significant departments in their institutions dealing with strategic planning. None disagreed that they have more resources put into managing MOHE and MQA requirements centrally as compared to strategic planning. A lot of strategic planning was more for financial planning purposes and the strategic planning activity was supported by finance departments rather than corporate planning departments. Therefore, while *strategic planning systems* were highly regarded by the interviewees above, Private HEIs do not invest or spend significant time and resources on strategic planning, to draw out detailed plans supported by detailed rational analysis.

‘For the head, we give them about 3 weeks to do this one. What we do is we make the information to supply as brief as possible, then you bring the whole thing in there. Where our finance department and my department sit down and come out with a brief template.’ (Interviewee 3)

Another interviewee, who performs rational quantitative analysis, admitted that comprehensive plans were difficult to employ due to the dynamic environment. Supporting literature reviewed for this notion is Frederickson and Mitchell (1998) and Bresser and Bishop (1983).

‘In the first period of that time, we didn’t really have a 5 year plan or 3 year plan. Our main reason was because we realized that the market had now become very volatile. And anybody who does a 3-year plan or 5-year plan is just a plan.’ (Interviewee 8)

Resources and channels employed to communicate the plans are also lacking. A programme head at a university was not even sure whether a comprehensive plan existed.

‘ . . . we have been asked to prepare yearly KPIs and the different goals that we want to achieve within a year for the faculty as well as for ourselves. Academic goals, students’ goals and corporate goals. And I think all this feedback would sort of like channel into the management. I’m not really very sure if they are going to convert it into a some sort of larger policy document but I think there has been a much clearer push, a stronger push, for us to be more strategic and clear about what we want to achieve rather than just going through the year, year by year. . .

. . . Perhaps communication has not been so smooth in terms of communicating to everyone within the university. But I think one of the things the VC is pushing is for us to be a ‘practice’ university. For us to inculcate an environment that encourages entrepreneurship. And also for us to boost our research capacity in such a way for it to be useful to the industry. Whatever in the future that we have.’ (Interviewee 5)

Interviewees revealed that their staff reporting to them were not aware of the HEI’s strategic plans and there were no formal avenues for these plans and changes to be communicated institution wide. Interviewee 2 claimed that most academic staff members were focused on teaching and did not care much about the direction of the plans of the HEIs as it did not directly affect the responsibilities they were hired for.

‘They (lecturers) just want to know why they are teaching this module. But they are not interested in the strategy or reasons behind. . . They only care about the teaching hours. Because they are contracted to teach certain hours. They just want to make sure they don’t overload and that’s about it.’ (Interviewee 2)

Another possible explanation for comprehensive strategic planning not being employed is managers’ strategic management skills/knowledge (or lack thereof). As reported in sub-section 4.4.3, many of the leaders of these institutions are led by academic administrators with experience in public higher education. Of the eight interviewees, only four had business-related degrees, which means many of these leaders were never really trained, forced to think, or think from the corporate planning perspective. Therefore, the lack of skill and knowledge in employing *strategic planning systems* among institutional leaders could be an impediment to the employing this process effectively. This explanation is backed by studies by Groves, Pendlebury and Stiles (1997) and Conway, Mackay, and Yorke (1994) in Higher Education in the UK. An interviewee from the business faculty explains:

‘ the difficulty of training deans from the sciences, engineering, arts, and languages faculties to perform *SWOT* analysis and forecasting spreadsheet models when they could not understand fundamental business terms such as CAPEX.’ (Interviewee 1)

‘Academics were never trained to think of corporate planning’ (Interviewee 5).

Another possible reason for lack of comprehensive planning is that interviewees place more emphasis on strategy implementation issues rather than strategy formation, which means strategic planning systems are employed to plan, implement, measure, and review primarily at the strategy implementation stage. This action is supported by the findings of Ghosh and Chan (1994) for businesses in Malaysia and Singapore.

‘As I mentioned just now, we cannot be spending too much time in planning. Yesterday’s planning is implementation today. We still have to spend time to look after the implementation of yesterday’s plan.’ (Interviewee 1)

‘It is a tool (on KPIs and Budget). To me it is a management tool. It is not a target. Of course there is a parameter set there. But it seems to me at the moment it is more of a tool. If you don’t have a tool, you cannot talk to the head about meaningful things. You have got to confine your things into a domain.’ (Interviewee 3)

In conclusion, *strategic planning systems* are only highly regarded by three interviewees (Interviewee 1, 3, 8). However, the findings do show limited evidence of comprehensive *strategic planning systems* being employed and invested. The possible explanations for the poor adoption rate of *strategic planning systems* include: dynamic environments that discourage planning; the limited business and management skills of academic leaders; and the emphasis on implementation programmes rather than *strategy formation*. The implication of all this is that the Malaysian Private HEI sector is not conducive for the application of comprehensive strategic planning systems to strategy formation.

5.1.2.1 *Reasons for Strategic planning systems*

Strategic planning systems are highly regarded as a *strategy formation* process by some interviewees. The prevailing view is that the more resources and time invested in planning, the better the strategy will be. This is an accepted view of many leaders and managers who are educated and trained in business and management.

‘My business orientation is more on the external environment. Looking into opportunities. . . . I also look at threats to be honest. Because my first degree was also in strategic management.’ (Interviewee 6)

‘So, I mean in a sense I am biased towards whatever I have learned in books. I still believe in the structured way of planning. Every year you must have planning or a whole set of plans: your long range plan, your strategic plan, your capital expenditure plan, and your so called financial forecast. (Interviewee 1)

Many who have grown in size over the years see planning as crucial for better coordination and achieving economies of scale in areas such as pooling of specialist resources and bulk procurement. Interviewee 5 mentioned that he wished for more planning so that there was better coordination between faculties and departments, as currently 'things work in a silo'. Quoting from an interviewee who supported in this view evidently,

'When you are big (firm size), you need to show planning, strategy, system, and control.' (Interviewee 4)

This notion of firm size as moderator to planning comprehensiveness view is consistent with the studies reviewed, notably Pfeffer (1982) and Brews and Purohit (2007).

A key reason strategic planning is performed is for long term strategic issues such as reviewing the vision and mission statements, or the needs for a new campus or new location. Quoting Interviewee 4, 'without plans you can't move'. Direction was listed as one of the advantages of *deliberate strategy formation* by De Wit and Meyer (2004).

'I would say a plan is definitely needed. If you have no plan then you are going to no direction. In the process of dealing with other colleagues, we do have one or two senior people, you can see even from simple discussion, they don't even talk about tomorrow or what will happen next. These are indications that these people do not like planning. They just try to enjoy whatever they have, and therefore you can see that the units these people are responsible for... they are not moving at all.' (Interview 1)

Interviewee 4, who heads a publicly listed Private HEI group, mentioned that an HEI needs plans and direction to be presented to shareholders at the Annual General Meeting (AGM). This interviewee also supports the earlier notion that as firm size increases, so the need for more planning should increase in tandem.

'But when you are big, giants, like when ---- was still listed, you have big fellows like the EPF. The EPF send their people to attend all the AGMs and they have all their notes. Pension organisations, they also come in. All there. And you shiver when you see these people, picking out on things to comment on your annual report. So because of accountability, both sides have got accountability. When you are small, you are accountable to small partners who are mostly your friends. But when you are big like a listed company, you are accountable to the major shareholder. So the difference lies there. And you have to demonstrate to these people that you are worthy to stay in the fort. Because you show that you have got planning, you have got strategy, you have got the system. You have got the control, which is part of the

system. And you show growth. Returning shareholders value and returning shareholder's value. Everyone expects that.' (Interviewee 4)

This notion is consistent with Desai (2000), where stock performance was linked with the amount of planning a firm performed. This finding also relates to the *externally imposed strategy* process described earlier, where increased planning was seen to appease other powerful external stakeholders.

While volatile external environments were mentioned as a reason for the difficulty in implementing *strategic planning systems*, there are interviewees who took the view that strategic planning should be employed when there are changes. Here is Interviewee 1, explaining the need for strategic planning after the institution he worked at changed ownership.

'In my previous positions as dean in a faculty, during my tenure, it was in a maturity stage. We do have a plan, but we do not need to so called fine-tune the plan very often. Until recently, we are talking about the next growth. After we changed ownership. So this is the time we are formulating new plans. Because if the plan is running well, you don't always need to spend your time to do planning. What happens is we may spend more time in getting the fruits.' (Interviewee 1)

This notion is examined by Armstrong (1982), Grinyer, Al-Bazzaz and Yasai-Ardekani (1981), Brews and Purohit (1007), and Kukalis (1991), who contend that the uncertainty, the stronger demand for planning – confirming the credibility of this finding.

Strategic planning tools such as scenario planning – that is consistent with the *contingency planning approach* favoured by Kukalis (1991) and Wilson (2000) – is also employed. This approach emphasises flexibility in the plans to face complex and volatile environments.

'Sometimes planning is also talking about handling uncertainty in the future. Nobody can gauge the future without any estimation error. So if a plan which is too detailed, it may cause implementation problems as well. The important thing is, we know where we are heading and we will try and leave some flexibility in the plan. . .

. . . I mean when you have a plan, at least we study the scenario. If you don't have a plan, we are not looking at the scenario at all. When we have a plan, we can look at the uncertainty. We can try to look at the uncertainty. We can get ready our resources. We can know where we channel our resources the plan is to have at least 3 months or quarterly monitoring. Not only to look at the performance but also to look at the fine tuning if needed.' (Interviewee 1)

In addition, uncertain dynamic environments demand more control and risk management. The use of *strategic planning systems* in uncertain environments is for control and risk management. This notion is in agreement with Brews and Hunt (1999) and Brews and Purohit (2007) who found that planning increases as environmental instability increases.

‘Planning is how you manage your risk. If you can manage your risk well, it doesn’t mean you have no risk. Another person who has no planning may not even see the risk and may be lucky enough to have no risk crystallized and this person may achieve what he wants. I think planning is only to try to manage the risk, minimize the risk, but It doesn’t assure the total elimination of risk. . .

. . . Because I try to define the term control. When you have better control it means you have more access to all the uncertainties. So the more uncertainties you can predict, you have think about it, the better control you have. Things get out of control because the outcome is something that you have not even thought about.
(Interviewee 1)

In conclusion, there are many reasons found for *strategic planning systems* to be employed at Private HEIs. These include the managers’ training and education, firm size, the need for direction, shareholder’s expectations, and unstable environments. All these emerged from the interviews, and were supported by the literature review performed mainly before the interview process started. The fact that the literature was reviewed independently and before the data was collected increases the reliability of the findings and lowers the risk of bias.

5.1.2.2 Effectiveness and Criticism of strategic planning systems

Despite the valid reasons supported by literature for the employment of strategic planning processes, the study did not find many instances of interviewees mentioning the process’s effectiveness. This was partly due to the lack of comprehensive *strategic planning systems* within the experience of the interviewees.

There were however some exceptions. Interviewee 8 found that centralised strategic procurement had resulted in savings. This is a case where strategy was put into action very deliberately.

‘We have vendors, we spend 8 million each year for books. I think we are the only institution in Malaysia who spends so much. So vendors and publishers call us their darlings. And of course, we buy books at extremely cheap prices. A book that is RM300, we can get it for RM60 or RM70, a special understanding. All the students who study these courses will have these books free.’ (Interviewee 8)

The above advantage was the result of better coordination among departments, schools and branches within the group. Wildavsky (1979, p. 133) claimed that “coordination means achieving efficiency and reliability”. Interviewee 5 also believes the planning system will enhance coordination.

‘Well, I think the systematic approach that he is introducing is already a change; from what we used to do. From that perspective I think it’s good. I think it encourages people to think beyond the concerns of their own faculty.’ (Interviewee 5)

However, quite a lot of criticisms of *strategic planning systems* were found from the interviewees. These criticisms may help to explain the lack of investment and effort in planning systems in the industry. One interviewee mentioned, ‘(planning) *is so time consuming and I tell you, it is useless*’ (Interviewee 6).

Planning systems is also regarded as lack of flexibility dealing with uncertainties supported by Frederickson and Mitchell (1998), Bresser and Bishop (1983) and Downes and Mui (1998). Despite availability in flexibility planning systems under the *contingency planning* group (Section 2.2.1.4), interviewees were not convinced it could handle uncertainties in the context of Malaysia HEI system.

‘If you want the strategy to work where you discuss (plan) it and be effective, the circumstances must be very certain. If there is so much uncertainty, then what strategy can you think of? . . .

. . . Because a strategic plan only works if the circumstance are very clear cut and things are very certain. In an uncertain situation you may draw up the best plan but it may not work.’ (Interviewee 7)

The next criticism is commitment, which was first described by Mintzberg (1994c). Quoting Interviewee 5, ‘*Planning and centralisation take away initiative from the people*’. The interviewee further claims that the personal touch is a very important leadership element for this industry, as trust has to be earned by the leader, before expecting commitment from their staff. The process while removing power from line managers also limits their ability to react to day-to-day challenges.

With regards to the Key Performance Indicators frequently found in *strategic planning systems* such as the Balanced Scorecard, there are criticisms that the wrong measurements

are used and about difficulties in the measuring process. Interviewee 2 claimed that 'analyses were useful but detached from reality, rendering them ineffective.'

'And a lot of times, maybe that KPI is wrong. They attach student numbers as a KPI . . . That's why I say, the concept of KPI is okay. But what is the KPI? What is more relevant? Like you said, student satisfaction, student output or throughput.² That is more important. Whether there is a transformation for students who are coming in? Whether they grew? . . .

. . . Soft thing. Yeah. Now they're talking about employability (KPI for lecturers). I mean, those are the things. If we just mumble about (student number), retention, that is going to be a bit of a problem because you cannot make them accountable for something that they (lecturers) cannot control. (Interviewee 2)

'To me, if you go to a factory, you can tell people that each worker should be able to produce 12,000 pieces a day. That can be done. This is different. Today the students don't like you, they just walk off. The lecturers don't like you, they will just walk off. So it is a people business. So it's more difficult to do.' (Interviewee 3)

These interviewees' narrative reveals the difficulty in measuring performance for them to be effectively used. This is consistent with Mintzberg's (1994c) criticisms of hard information, as discussed in Section 2.2.1.11.

The last criticism identified relates to the lack of adequate information for the rational analysis used in *strategic planning systems* to be meaningful. Interviewee 1, a strategic planning advocate, admits in the quote below.

'I believe that because in Southeast Asia there are so called developing economies or emerging economies, so in these economies, the pace of change is much faster than in developed nations or economies. That's why saying the information will change fast is a fact.' (Interviewee 1)

'When you want to start something new and different, it's always very hard to get a real sense of what the problems are going to be until you actually get it started' (Interviewee 5)

Haley and Tan (1996) and Rosner and Kleiner (1998) described the lack of information on the external environment in Southeast Asia as posing a serious challenge to traditional forms of strategic planning. The authors instead suggest holistic/intuitive decisions and the importance of hands-on experience. Emergent strategy formation processes accommodate these elements. 15 years later, evidence from Interviewee 1, 2, and 5 quoted above shows that Haley's and Tan's (1996) finding is still valid.

In conclusion, strategic planning was found to be effective because of better coordination between the sub-units. There were numerous criticisms of strategic planning which may explain the limited presence of comprehensive *strategic planning systems*. These include: the inability of *strategic planning systems* to handle uncertainties, reduced commitment by line managers, inaccurate hard data measurements, and a lack of information for rational analysis.

5.1.3 Strategic leadership

Some Malaysian Private HEIs were headed by an influential owner/founder with entrepreneurial skills when they were first established. The head was frequently supported by senior academics whose training and education often did not include business management. In addition, the MOHE also increasingly imposed minimum requirements for academic credentials and experience before the appointment of Chief Executives of Private HEIs and Vice Chancellors of Private Universities and University Colleges, thus pushing entrepreneurs out of these executive functions. According to the analysis in Appendix C, only three out of eight interviewees acknowledged the influence of the *strategic leadership* process (the fewest mentioned among all deliberate strategy formation processes). Of the eight institutions the interviewees currently worked at, only two were owner-founder led. This suggests that *strategic leadership* was the least employed process among the three *deliberate strategy formation* processes in this study. The *strategic leadership* influence of the owner/founder was stronger earlier, but was slowly diluted as the institutions grew in size.

‘Yes, the way ---- was structured was that the founder, who was also the Chairman of the ---- group under which ---- University sits and for the longest time, he was also the Vice Chancellor. It was only last year that he brought in a new Vice Chancellor and the new Vice Chancellor has been trying to set the strategic direction for the university. And I think because the management, most of them are academics. They have never really been trained or forced to think at the corporate kind of level. And because the founder was always an entrepreneur who wanted to always try things, you can say it is on an ad hoc basis, but he had his own way of thinking which I think has led ---- to success to this day. But I think, moving forward, the new Vice Chancellor is trying to make things more systematic from a strategy perspective.’
(Interviewee 5)

In Section 4.2.3, Figures 2 and Figure 3 show that Private HEIs are increasing in size while the number of Private HEIs is declining. This means Private HEIs are consolidating and

becoming larger. Miller and Le Breton-Miller (2005) concluded that many small owner-managed firms practice the command style associated with *strategic leadership*. The industry trend towards larger entities should reduce further the influence of this process, meaning that strategic leadership will not be an important strategy formation process for the industry in the future.

The *strategic leadership* process has similarities with Hart's (1992) and Bailey's and Johnson's (1995) 'command mode'. The structure in this process is more top-down than typical *strategic planning systems* (Mintzberg, 1973). Below, Interviewee 8 described the top-down approaches taken in his Private HEI.

'Strategic planning, there are discussions. But the final decision is top down. So we know none of us can do anything. Information has been given already. The top will decide. Then we just implement. As much as we love to report, and we believe in discussion, we have already reported everything seen from various angles to those who make the decisions.' (Interviewee 8)

The same interviewee mentioned the importance of the capabilities of the strategic leader in this process.

'I think just now you spoke about leadership, The top-down approach does work if the leadership is equally capable, of the same calibre...as you mentioned, who know the business inside out.' (Interviewee 6)

Campbell and Goold (1987) also supported the top-down approach used of *strategic leadership*. However, Interviewee 8 attributed the recent deteriorating performance of the Private HEI to the deteriorating health of their strategic leader, which points to a risk of *strategic leadership process*.

'But what is the major weakness that we find in this way of running of organisation? If the head (leader) goes haywire, if the head rots, then the tail will have no direction. And currently we are having this problem. So centralization has strengths and weaknesses. But the major weakness is the autocracy given to the head, if the head is not someone all knowing, very strong word 'ah', all knowing. Who is very capable, who is also a flexible and action-packed person. Otherwise, it is useless to do centralization (command mode).' (Interviewee 8)

The same interviewee also attributes availability of information centrally as a key to the effectiveness of this process.

'It(information) must come from everywhere. And come from sufficient information to make decisions. And in all meetings, we believe if you want to do whatever is democratic, there must be discussion, then there must be decision, then there must be follow through actions. If you don't have DDA, that's what we call it, then it is pointless to have meetings. If you realize this, these are the criteria for having a certain kind of management style. Then you can run either autocratically or even democratically, both have their strengths and weaknesses.' (Interviewee 8)

In conclusion, the increasing size of many Private HEIs has reduced the influence of the founder/owner/entrepreneur. The approach used by the process is consistent with the command and top-down mode. A major risk identified in this mode is the loss of the leadership itself. To help maintain this, the availability of information centrally was identified as important. However, the availability of information was found to be lacking in Malaysia (Haley and Tan, 1996; Rosner and Kleiner, 1998). Therefore, strategic leadership should not be a major influence on strategy formation at Malaysian Private HEIs.

I have reported and discussed in this section the practice of *deliberate strategy formation*. Notably, the findings and discussions were divided into *externally imposed strategy*, *strategic planning system*, and *strategic leadership*, listed in declining importance (by number of mentions in Appendix C).

5.2 Emergent strategy formation at Malaysian Private HEI

In this section, I will discuss the findings and analysis of *emergent strategy formation* processes. Based on the evidence of interview data collected for this thesis, four sub-themes emerged in relation to *emergent strategy formation*: incrementalism, *resource allocation process*, *cultural/symbolic process*, and *political/generative process*. The table attached in Appendix D presents the evidence of each *emergent strategy formation* process identified from the interviews.

5.2.1 Incrementalism

As reviewed in Section 2.3.2, there are two notions in relation to *strategy formation* processes. One is Linblom's (1959) 'muddling through' and the other a more purposeful emergent process, which is Quinn's (1978) '*logical incrementalism*'. Incrementalism is the more accepted process identified from the study, with seven out of eight interviewees mentioning it (Appendix D).

Only Interviewee 7 mentioned 'muddling through' explicitly. He did so without biased questioning or prior explanation of logical incrementalism (Quinn, 1998).

'There is so much uncertainty, if there is so much uncertainty then what strategy can you think of? You have a certain basic plan but after that most of it is muddling through. I mean this is what I think'. (Interviewee 7)

As reported earlier in Section 5.1.3, there are still institutions influenced by the entrepreneur/founder of the private HEI. Some interviewees attribute the entrepreneurial spirit as relating to an ad-hoc and 'learn as you go along', which are elements of muddling through. Quoting Interviewee 4:

'There is a vision (intent) but no white paper on the table as to why we have to have this programme. The programme development strategy was developed along the way . . . in terms of trying to draw course content to marketing strategy.' (Interviewee 4)

Quoting the same interviewee describing a new initiative process at his Private HEI with a strategic leader/founder:

'I think the way the university has operated (incremental) is because we have a founder that is very entrepreneurial. . .

. . .His (the founder's) philosophy is that you start and you run with it. Instead of doing a market survey or a market study for 6 months and then after that asserting whether you can do it or not before you start' (Interviewee 5)

The objectives and overall vision are very clear in other evidence, signifying a '*logical/incrementalism*' process. While the vision and objectives are often clear, the journey to the strategy being put into action is one that often changes on an ad-hoc basis. Below a quote describing the incremental nature of the process,

'But the map, for us, is along the way you adjust. So by the time, so now my building cannot come out in 2012. I would say my building will come out in 2014. So what do I do if my student numbers are going up by then? Then I can adjust my operation. How do I do it? In fact what we have done is actually when the roadmap was built, we never expected this delay. But then, we actually saw the potential of the heritage city of Penang. Because we have a hospitality school, and with Heritage Penang at the moment we look at it as very service oriented. So can we move our service school like hospitality into the heritage area. In fact we made that decision, although it was not in our roadmap, but we made that decision saying "fine, we shall move the hospitality school right into the middle heritage area". With that moving, we free up some space. We are not getting so worried now about 2012 if the building does not come out. We have the capacity to take in, with the vacant space left behind by the School of Hospitality, we should be able to cope with it. Even if the delay in our building is 1 or 3 years, we should be able to cope with it.' (Interviewee 3)

'We tell our marketing(department) that this year, you will need to find me 100 or 200 new students. . But we don't hold the head to this number. But we do talk about it. We do ask why. We look at it as "if we don't make it, what is wrong?". The next thing we need to do. Or do now for next intake. So on and so forth. Because it is very hard just to follow a prescription.' (Interviewee 3)

'From measurements that we have, we get the report and we see how it goes. And then we come out with new strategies. How we can improve on what is happening, which one to discuss and which one to go in? That is when we arrived at the idea where branding is very important to us Our planning is based on the measurements and the results that we have, then we see how we can make incremental improvement' (Interviewee 8).

Interviewee 3 described his experience of how the Psychology programme emerged as a new programme. It started when the college as part of their community ran stress management seminars for the community. The speakers the Private HEI invited were from several non-profit organisations such as the Mental Health Association. This arrangement was followed by the Private HEI allowing their halls and facilities to be used by these associations to run their seminars and workshops. From these activities, the Private HEI found interest among its students in psychology and that some of the speakers were willing

to be part-time lecturers in the topic area. They then developed the programme as a Diploma but the approval was rejected as the curriculum was deemed higher than for Diploma level students. This then led them to franchise a degree programme from another Private University College, where the arrangement eventually became a 2+1 Psychology degree programme. The students transfer into the partner University College upon completion of two years at the Private HEI. With this, the HEI then built capability on its own to offer its own Psychology diploma. In the narrative above, the *logical incrementalism* process is evident. The launch of a Psychology programme was not pre-planned, it emerged incrementally from a community project. The objective of growing the Private HEI while serving the local community was clear. It served as the vision for their action, indicating *logical incrementalism* rather than muddling through. There were also many instances of intended programmes that never materialised, for example engineering programmes. Interviewee 3 also mentioned that their roadmaps were ‘evolving’ and ‘ever-changing’. When the ‘roadmap does not materialise, so we adjust.’ This can be linked to a *strategic thinking* element called ‘intelligent opportunism’, which states that intention must be flexible and broad enough to leave open the possibility of new strategies to emerge (Liedtka, 1998). Logical incrementalism has elements of intelligent opportunism.

Based on the above, it can be concluded that the *logical incrementalism* process has the strongest influence (in terms of number of mentions in Appendix D) on Private HEI *strategy formation* processes. All the elements of incrementalism reviewed earlier (Section 2.3.2), including muddling through, ‘*learning*’, intent-focused, and ‘intelligent opportunism’, were found to be present (Liedtka, 1998, Prahalad and Hamel, 1994; Mintzberg, 1991). The employment of incrementalism at HEIs was also found in the West by studies reviewed earlier (Meister-Scheytt and Scheytt, 2005; Arnaboldi and Azzone, 2005) – which increases the generalisability of this notion.

5.2.2.1 Reasons for and effectiveness of logical incrementalism

The strongest reason found for the practice of this process is the ability to react in a dynamic environment. Findings from interviewees showed that with environmental changes taking place very quickly, they have to react incrementally to the new information and situation. Evidence for this reasoning is found below:

‘The competition for students is so fierce that I think people have to be on their toes in planning from semester to semester. . .this means you are on the ground all the time. The moment your enrolment is finished for this semester, you start your next semester’s execution. So because of the competition, you keep making adjustments. This semester, my target was not achieved. Why? Then you analyse to fulfil this. You must make good what you have missed then you put in more resources.’
(Interviewee 5)

Interviewee 5 recommends incrementalism for the formation of strategies where a company may not have enough knowledge and experience:

‘But I think when you want to start something new and different (to meet the demands of environmental change); it’s always very hard to get a real sense of what the problems are going to be until you actually get it started. If I were to do it over again, you know I would probably have spent a little bit more time to write a conceptual paper which is what I am trying to do now for this new programme that I am introducing, the PP program. But I think a lot of it has to basically be learning on the job.’ (Interviewee 5)

In conclusion, the findings support the notion that changing plans incrementally is a common practice in order to react to environmental changes. Those involved perceive this process, which provides flexibility to *strategy formation*, as more effective than time-consuming comprehensive planning. The perception is that you have to change to react to the latest environmental and competitive information. There is also evidence that incrementalism is useful for new and unexplored strategies/projects, where knowledge to draw up a plan is difficult to come by. Therefore, this translates into them perceiving that *logical incrementalism* is an accepted effective way of carrying out the *strategy formation* process. Ghosh and Chan (1994) found that logical incrementalism was a widely accepted process in the region.

5.2.2 Resource Allocation Process

From the analysis in Appendix D, only three out the eight interviewees agree that the *Resource allocation process* influences their *strategy formation*. They are normally found only at larger group institutions with complex organisational structures, usually with multiple campuses, faculties, subsidiaries and joint ventures. This context is consistent with the literature reviewed – Burgelman (1982) for example designed this process for complex organisation structures. Corporate centre and senior management at the top ‘plays a coordinating role’ (Interviewee 2, Appendix D). The following is a quote from an

interviewee, who is Chief Executive of a Private HEI within a multiple campus Private HEI group:

‘We manage our own school. No questions asked. He (Group President) presses for ideas. He wants us to pursue our plans and our goals’ (Interviewee 6)

Another former Academic Director explains,

‘Whatever needs to be done, you just do it. Actually the interesting thing is the programme head is empowered to do what is right. There is basically no instruction other than to say that this is the requirement of the entrance. This is about what the universities expect. And that’s it. And then you just run.’ (Interviewee 2)

At these multiple campus institutions, autonomy is given to each of their campuses or divisions, especially if the campus or subsidiary programmes are different from the main campus (Interviewee 5, Appendix). This means there is evidence that these institutions utilise multiple *strategy formation* processes and capabilities – which is in support of Hart’s and Banbury’s (1992) conclusions.

‘You are right in the sense that from different strategic business units, we may have different levels of risk. Some may have to be more aggressive, and certain departments’ products may be in the maturity stage, compared to those which may be in the introduction stage, where the risk will be different’. (Interviewee 1)

However, the *resource allocation process* has less influence at the main campus, where most of the pioneer staff work and where the *strategic leadership* process becomes more significant because of direct management by the founder/founders. This is consistent with the evidence from interviewees: those whose background experience was from main campus operating core (non-specialist) departments and faculties/schools did not find that the *resource allocation process* influenced their *strategy formation* process. The interviewees in this category are Interviewee 1, 3, 4, and 7. In contrast, Interviewee 5, from a small specialist faculty (Political Science), and Interviewee 6, who heads a Hospitality and Tourism college involving a joint venture with a large hotel and casino group, both acknowledge the importance of the *resource allocation process*. This supports the conclusion that this process is more prevalent at subsidiaries than at main campuses.

This mode of *strategy formation* also supported by studies by Haley and Tan (1996), where due to information deficiencies in this region, organisations rely on experienced managers. Quoting an interviewee who supports this notion, the interviewee also explained the central

tenets of Bower's (1972) and Burgelman's (1982) *resource allocation process*, to the effect that resources were allocated and together with autonomy.

'An important condition is getting the right people to manage a business entity. But once you have found the right (correct) people, you have to give them the resources and latitude to manage.' (Interviewee 6).

5.2.2.1 *Reasons for Resource Allocation Process*

The nature of the regulations also defines these separate campuses as separate entities with separate Higher Education licenses conferred on each campus. The programmes within each campus also go through separate approval and accreditation processes by the MQA. Each institution has a Board of Institution which includes internal and external board members of the HEI, often with a significant ratio of academicians. They operate similar to the senate of a university, independent of the corporate centre. There is another Board of Directors which oversees the company's commercial interests (Private Limited or Publicly Listed). Many of those who sit on this Board are founders, owners and senior administrators. These independent operating license structures and Board of Institution structures support the autonomy of branch campuses.

The *resource allocation process* was also viewed to be effective for new initiatives, new ventures, or efforts to turn around loss-making operations. These circumstances require bottom-up generated ideas and commitment from the team that is implementing the project. This notion is supported by Tushman's and Nadler's (1986) notion that new strategies emerged separated from day to day activities were also supported by the quote below. An interviewee, who owned a consultancy business before joining a Private HEI, when asked about the Private HEI's policy of encouraging consultancy services outside the HEI, said:

'It is not 100% clear (policy for consultancy at the HEI), but it's something evolving in some sense. . . I think the structure is slowly being developed, whereby I think some of the guidelines have already been developed in terms of what is allowed and what is not allowed. In terms of where does the intellectual property lie, how much work can you do outside, and how is the money being shared out.' (Interviewee 5)

This shows that the policy for consultancy services was not planned, documented, or agreed before the consultant was employed, indicating a very emergent process and that the interviewee had a high level of autonomy in dictating his consultancy work.

5.2.2.2 Effectiveness of Resource Allocation Process

Autonomy is seen as effective because the experienced leader, manager or team do not have to face interference. Interference from corporate centres often increases bureaucracy which makes organisations unable to cope with frequent changes (Burgelman, 1992). Such interference may come from people who are not close to the actual environment. Again I cite Haley's and Tan's (1996) conclusion that, in this region, companies rely on experienced managers to contribute to higher performance in an information void. Quoting an interviewee who describe his experiences in three different private HEIs with varying degrees of autonomy,

'I can do it the way I think it is right, you see (at his current and third HEI). In the other places, I didn't have that sort of liberty. Even when I worked in ---, although I was in charge of the Penang campuses, I still had to take direction from the main campus. When I went to the main campus, I did not have a happy time. So I did not manage to do lots of things. There was interference here and there. Here (third HEI), our board is very supportive. Yes, they do demand a lot. But they are supportive. They don't interfere. They don't tell you this. They don't do things that you do not know. So it's relatively easy. When you present the roadmap, they see it, they voice something, and they don't so to speak say that this is nonsense. But things happen and when you say that there are adjustments needed, they are prepared to listen. And they see this as a good thing. So I have quite a bit of a free hand.' (Interviewee 3)

Interviewee 1, whose experience is as Dean of the largest school at the main campus, commented that there was 'insufficient' autonomy given to him to perform optimally. He believed he could contribute more effectively if more autonomy was allowed. This is evidence linking the autonomy element to the effectiveness of the resource allocation process.

5.2.3 Cultural/Symbolic process

'Taken for granted' factors in this *strategy formation* process were by their very nature difficult to identify from semi-structured interviews. Despite this difficulty, the analysis in Appendix D identified that six out of eight interviewees mentioned these processes as an influence on their *strategy formation* process. There was evidence that strategy emerged from informal 'chit-chat' among staff (Interviewee 2). The interviewee then claimed that such processes allowed the team to discuss using 'soft data' and intuition. This view is supported by studies by Haley (1997) among overseas Chinese businesses, which use soft

information for decision-making rather than quantitative data. This increases the credibility of the finding.

Interviewee 4, a vice-Chancellor of a Private University, mentioned how *cultural/symbolic* processes influenced *strategy formation*:

‘... because you are dealing with people. You are dealing with humans, and it’s a service industry, and you have to use whatever concerns human values, everything that is human in your operations. Some you use more often, some you use less often, but you have to use it. And you have to be sensitive. You have to be sensitive like a -----, your staff, on whom you depend 100 percent to bring in the income. You need to know whether they are happy or not happy, what is making them become very good workers, what is making them become somebody who couldn’t care less. Are you doing anything about it? Or do you just listen to your HR person.’
(Interviewee 4)

Interviewee 5 explains how strategic leaders influence the culture and strategy process at the Private University he works at:

‘I think what I would say is this. In regard to the entrepreneurial environment, the courtesy of the entrepreneurs who build these universities is that, if you show the energy and enthusiasm to want to introduce entrepreneurial elements into your programmes or into the way you do things within the university, entrepreneurs can actually see and value that. They will allow you, most of the time, to run with it to a certain degree.’ (Interviewee 5)

Although the quote above describes how the cultural/symbolic process (entrepreneurial culture) influences the tactical/implementation process, it also mentions that strategic decisions were influenced. The entrepreneurial culture mentioned by the interviewee while being evidence to the cultural/symbolic process, was also recommended by studies by Poole (2001a; 2001b) and Sporn (1996) for Higher Education.

Another interviewee, who views marketing as the most important function at Private HEI, explains,

‘I think they (strategy) come in from mixing with society, mixing with the public (and staff), mixing with industry. The ideas comes from there.’ (Interviewee 7)

At Chinese Malaysian owned Private HEIs, the Chinese cultural influence was also very strong. Quoting an interviewee:

'It's just that ----(Private HEI) is founded by somebody who is Chinese speaking. So you find that the philosophy is strong. . . Because this is a college of the Chinese educated. They form a clique of their own . . . At one time, the top men (and women) were all mandarin speaking, you know. And quite frankly, if you are not mandarin speaking, you will not go high up.' (Interviewee 7)

5.2.3.1 *Reasons for cultural/symbolic process*

There were strong contextual reasons for strategy to emerge from the *cultural/symbolic* process. First, as Interviewee 5 described, the industry is a service industry that deals with human values. Strategies developed have to be sensitive to the staff's and student's feelings. The best way to find out about these feelings is to interact with the staff and the students on the ground.

Ghosh and Chan (1994) also explain that the difficulty in obtaining accurate hard data for analysis made managers in this region fall back on intuition and soft data. All the more so because the Private HEI industry is well represented by ethnically Chinese Malaysians; and as Haley's (1997) study contends, an important characteristic that distinguishes overseas Chinese (Malaysian Chinese inclusive) over local companies operating in Southeast Asia is that managers tend to use subjective information as inputs to decision-making.

Lastly, collegiality among staff was typically high at all levels. This was very evident from Interviewee 2. These relationships in many instances span across departments, faculties, and campuses, allowing the *cultural/symbolic* process to be employed with less conflict, especially in the absence of hard data and facts. Interactions happened naturally, among professionals with a wide range of interests and expertise rather than strictly by divisions and departments. This is consistent with the findings of a study by Hardy, Langley, Mintzberg, and Rose (1983). Hofstede (2001) also found that Malaysian professionals are very collective rather than individualistic. The combination of the collegiality element at HEIs and the strong collective elements in Malaysian culture supports the use of this process of *strategy formation*.

5.2.3.2 *Effectiveness and Criticism of cultural/symbolic process*

The responses on the perceived effectiveness of this process were mixed at best. Some leaders felt it was good to have a strong cultural influence, but some criticised the process. One element perceived as effective was that there was strong cohesiveness and collegiality

in the process, leading to fewer disagreements, arguments, and politics. As Interviewee 6 mentioned, 'culture is better than politics'. DiMaggio and Powell (1983) found this process was also effective in responding to coercive environments.

The interviews revealed the strategy content generated from this mode has a longer term perspective and a more balanced effect in meeting various stakeholder's objectives. Interviewee 2 mentioned that 'staff passion for higher education' and 'enhancing students experience' as non-measurable objectives which effective strategy must consider. These objectives were considered to be emerging from the cultural/symbolic strategy formation process.

5.2.4 Political/Generative Process

The *political/generative* process was found to be a significant influencing process in the strategic formation practice at some Malaysian Private HEIs, but not all. Referring to the table in Appendix D, six out of eight interviewees found this process influential. The identification of this process at Private HEIs was consistent with Cohen, March, and Olsen's (1972) study on universities in the West. As with the *Resource allocation process*, this process is more significant for college groups where there are joint ventures, multiple faculties and/or multiple campuses. The two interviewees who did not mention this process as an influence also happened to be the two oldest interviewees, both over 65 years old. This perhaps reflects the very high power distance culture in Malaysia, which is consistent with Hofstede's (2001) study. Bottom-up participation in strategy is not encouraged in a country with high power distance. But this may be changing judging from the responses from the younger interviewees.

Below the interviewees describe the *political/generative* process:

'You use politics and need to bang the table to be heard. . . you need to fight and speak up to be allocated resources. . .

. . .Because you set policies under the ---- (HEI different from the quote above) with support feedback collectively. We all agree to something. If you have an idea, you bring out your idea and we brainstorm on it. And once we all agreed to it, we set it.'

. . . Everybody (involvement in strategy). Because collectively, we sit down and discuss. Even I myself, to make certain decisions, I will sit down with my staff and

ask what is your view? I think this is good, what do you think? I listen to ideas.’
(Interviewee 6)

‘Strategy making involves the bottom-up approach, and strategy making emerges from negotiations, and bargaining is important.’ (Interviewee 1)

The interviewees mentioned several emergent strategy formation elements within the political/generative process. These include brainstorming, negotiation, bargaining and bottom-up contributions. The other element identified from Interviewee 6 is decisions being made and agreed collectively. This indicates collectivism – which was identified as a culture prevalent in Malaysia earlier. This identification of a collectivist culture in Malaysian business is supported by studies done by Hofstede (2001).

The other context where this mode is frequently found was new ventures/initiatives/projects where the ‘entrepreneurial spirit’ of the team/leader was a major element for success. This is the same context where the *resource allocation process* was found to be significant earlier. It is also a significant process at Private HEIs where there is an absence of *strategic leadership* and *cultural/symbolic* process. This may indicate that this process is a substitute for *strategic leadership* or the *cultural/symbolic* process. One interviewee described the absence of the *political/generative* process when there is a strong *strategic leadership* process:

‘In ----- (Private HEI), political groups, yes, in the sense that we have cliques. But that is very normal in all organisations. But in terms of decision-making, or in terms of distribution of resources and so forth, the decision is always from the top down. How much he wants to give and that’s it. What kind of strategy you want to do, top down again. Everything is top down.’ (Interviewee 8)

Interviewee 6 explained that the current HEI he works at was a group HEI that was created from a merger of several private HEIs. There was a pervasive politicking process found in this group. Each group competed against each other in terms of students and for resources and investment.

The involvement in the bottom-up *strategy formation* process tends to stop at the middle management level. Operational level staff involvement in *strategy formation* is often minimal. As reported earlier, many of these lower level staff are neither communicated the strategy and direction of the HEI, nor are they interested in the HEI *strategy formation*

process. Hofstede's (2001) high power distance ranking for Malaysia's work culture may also explain why the lower levels are not involved in *strategy formation*:

'It doesn't go down. The only time that we are informed would be at the faculty meeting. Every beginning of the semester, we tell the faculty staff about the plans.'
(Interviewee 2)

5.2.4.1 *Reasons for the Political/Generative process*

The political/generative process seems to be a complementary process to the *resource allocation process*; in particular, both of these processes were found to be significant in complex multidivisional and multi-campus contexts. One of the reasons identified for the employment of this process is that it facilitates the use of soft data such as experiences and narratives in decision making. Ghosh and Chan (1994) found such informal discussions involving soft data and analysis to be widespread in Southeast Asian companies. This is even more important bearing in mind the lack of (hard) information in Malaysia (Haley and Tan, 1996). In addition, Mintzberg (1994c, p/ 259) also stressed the importance of 'non economic and non quantitative data' (soft data) in strategy formation. Below is evidence of this notion from Interviewee 2, who strongly favours the process: I think when we don't have hard data, to a certain extent, we are not just looking at the numbers. We are looking at what will be the prerequisites of the students who will be graduating and trying to understand by having informal discussions about different people's experiences, because all of us are lecturers as well, so we can know what effectively the customer will require.
(Interviewee 2)

The second reason for using the political/generative process is the need to access information that resides at the bottom of the organisations, eg among operating level staff. Interviewee 2 explained the importance of this in the industry.

You know. But I think the advantage we have is that we are at grass-roots level. We actually are in contact with what students require. That's why we say we are talking about the school level of strategy. We are not talking about corporate level strategy. So when you are talking about that level of strategy, we are in touch with what the market requires. So because of that, it is not hard science that we put down. But in the process of brain storming, with the different perspectives that come in, effectively we are bringing that out. It's just that it is not documented.

The other reason for this process is that Malaysian Private HEIs fit what Mintzberg (1979) calls 'professional bureaucracy'. The academicians are highly independent, and many are on flexible working schedules where they are at the campus only during lecture hours and

specific consultation hours. The academic staff design their own progression, training and further education and have full latitude for budgets to be utilised for further education and conference attendance (Interviewee 3 ; Interviewee 5). Interviewee 1 concurred that scope to allow lower level staff the freedom to take initiatives and contribute ideas to the strategy was very important for HEIs.

5.2.4.2 Effectiveness and Criticisms of Political/Generative process

Similar to the *cultural/symbolic* process, perceptions of the *political/generative* process' effectiveness are mixed on the basis of the interview data. The first advantage identified links to empowerment. Empowerment allows the bottom to react with the information they have in the environment. In addition, it increases the commitment of middle managers and operating staff as formulation and implementation are carried out by the same team/staff.

'It is about empowerment. Empowerment is giving the right to people to choose the company's objectives.' (Interviewee 6)

Interviewee 2 mentioned that such processes build better strategies from incremental and open deliberations.

'Whereas this is free flow, and from free flow, actually one builds on another. So when someone says, 'hey, I think this is what we should do'. Then another person says 'No.' Then you say 'why', then he says 'hey what about the other one'. So it actually works one on top of the other, the ideas. That's how concrete ideas come about.' (Interviewee 2)

Interviewee 2 also identified this bottom-up process is effective because the strategy formulator and the person responsible in taking the action for the strategy formulated in the political/generative process is the same person/team. This reduces the detachment of the strategist from the day to day operations which increases the success of the strategy formulated being taken to action (Mintzberg, 1994c). It encourages the person/team to stay committed as they are implementing initiatives of their own ideas without the risk of miscommunication. In addition to financial rewards, the person/teams are motivated to outdo each other. Lastly, the bottom-up process also allows the decision-makers to be close to the market (students) and operating staff. The bottom-up process in Higher Education was supported by Sporn (1996), Clark (1992), Davies (1987), and Groves, Pendlebury, and Stiles (1997). An interviewee mentioned that there was no point in the corporate centre deciding on

programmes or initiatives the operational staff were not passionate about. This finding supports Mintzberg's (1994c) criticism of top-down strategic planning's lack commitment.

'The interesting thing is because the implementers are also the ones who are in the process of discussion. So if you want to argue the fact that the formulator and implementer are one, I mean they are pretty much one. There is no separation. So when it says run it, I suppose the implementer roughly has an idea what it's all about, even although it is not written down. Let's say the implementer is not involved in the whole process, then you really got a bit of a problem I suppose.' (Interviewee 2)

However, this study found some criticisms of the *political/generative* process. These are important factors not to be taken lightly when this process is put in place. The process creates motivation for teams and groups to compete with each other for rewards, resources, and morale; however, this competition can create disagreements:

'Of course there are always disagreements because the composition of the groups are of different backgrounds. You have, like myself, industry before, quasi now. And you have pure academic people. So the perspectives are different, you know. But I am glad to say that most of the time we sort of manage to come to a consensus as to what should be the directions of the school.' (Interviewee 2)

'For the two and half years I have been here, I have been asking to expand the school. To invest on the school. They refuse to. We have had big arguments. The COO and they have issued me many warning letters for speaking out.' (Interviewee 6)

In extreme cases competition leads to power struggles and a negative political organisational environment. Interviewee 6 describes the negative political culture at the Private HEI he works at:

'They are all protective. You see, again, they have a very strong crony-based thing here because the COO is protecting her turf. Protecting ---- KL. ---- Subang is managed by the CEO. KL ---- is run by the COO. So they have these little babies. . .

. . .Power struggle. And in the midst of the power struggle, who gets hit? Innocent bystanders. Us. Who is a fence sitter. I just told my boss last month, look here, I do not want to be in Team A, neither do I want to be in Team B. If I speak to Team A, don't say I bully. No. Because being a CEO, he has the right to request me. And I have the right to answer. And if the COO says that I am trying to play sides, tell her I am not. Now if I speak to you, Team A will suspect that I am in Team B. But in fact I am in between. I don't care about your Team A, Team B thing. I am not interested. I am here to do a bloody job and I have done a good job. And that's it. If you want to make money, you give me KPIs and I will try to achieve my numbers. And you measure me based on my performance. And not because I belong to Team A or Team B.' (Interviewee 6)

The political process also discourages teamwork and can be a stressful environment for staff (as is evident from the quote above). For example, schools or separate campuses often compete for the same students. As Interviewee 6 mentioned, 'schools do not share student enquiry information'. There are even instances of accusations between campuses/schools within the same group that negative information about a competing school/branch was used to persuade potential students to come to their school/campus/programmes. The political process also discourages the efficient allocation and use of staff, financial and management resources. Interviewee 6 mentioned that the reason that a new campus ran out of capacity in its third year of operations was due to politics, where certain schools' needs were disregarded when the campus was planned. Power struggles from this political mode also make *strategy formation* inefficient.

Interviewee 3 believed that the *political/generative* process was difficult to implement in a collective and high power distance society such as Malaysia, as reported by Hofstede (2001).

'Bottom-up is very difficult. People generally won't actively go from bottom-up come out. They are always waiting for instructions and direction. People do not want to think so much. . .

. . . it is very difficult to get people from the bottom up to suggest. 'Okay, we are doing okay. Why do we want to change.' I say 'this thing you are doing already, 'I am mentioning the ACCA head. I say 'What is the difference between how PTPL does, compared to you?' 'You are always complaining that our price is higher.' What have you done that you can tell the student my price is higher because I do this. Nothing. It is the same thing they do, they teach. They keep telling me they have got star lecturers. So we also have star lecturers so to speak. Why do they have 200 students and us only 50 students? What is more, they don't give notes and we buy books for the students. But this is not qualitative. There is no difference between the two colleges. Do something different. I tell them to do an e-Learning platform. Put the communication and collaborative tools on it. Then you can go out there and say the ACCA students can access the teaching portal anytime there want. Although the reply may not come immediately, it is there. The communication collaborative tools for the ACCA. ' (Interviewee 3)

In this Section 5.2, I have discussed and reflected on the findings that relate to *emergent strategy formation* processes. These processes were found to be highly emergent, with *logical incrementalism*, *cultural/symbolic*, and *political/generative* all significant influences (mentioned by 6 or more interviewees in Appendix D). The effectiveness of the *cultural/symbolic* and *political/generative* process were questionable, as reflected in the

criticisms from some interviewees. The *resource allocation process* was found to be particularly prevalent in the specific contexts of multi-divisional/campus institutions where the organisational structure is larger and more complex. This suggests that the resource allocation process is employed more often in institutions with such structures.

Having reported and discussed the findings on both deliberate and *emergent strategy formation* processes, I will discuss each research question and conclude in Section 6.2.

Chapter Six Conclusion

6.1 Chapter Review

I started in Chapter 1 explaining that the motivation for this thesis was to gain more knowledge of how strategy is formed at Private HEI institutions in Malaysia as this is relevant to my current professional position as a leader of a Private HEI. Not only have I gained in-depth knowledge of and insights into the industry and how it is managed, I have in the process learned and employed post-modernist research philosophies to this research. The approach adopted was unique for both strategic management research and also Malaysian research (Daniel and Yusoff, 2005; Sminia, 2009). This research reviews the application of *strategy formation* theories developed in the western world, bridging the gap in terms of their application to Malaysia. The context of their application, namely semi-commercial Private Higher Education, is also unique. And finally, the presence of such a dominant and influential Private Higher Education industry in Malaysia is also novel compared to the West.

In Chapter 2, I critically reported literature reviewed that relates to *deliberate strategy formation*, *emergent strategy formation*, *strategy formation* in Higher Education and management practices in Malaysia. I reported elements that represent both the deliberate and *emergent strategy formation* processes, as well as processes that relate to these diametrically opposing perspectives. The processes reviewed belonging to the deliberate perspective were externally enforced strategy, strategy planning, and *strategic leadership*. Strategic planning in particular was extensively reviewed, with a criticisms of the system reported. As for *emergent strategy formation*, the literature reviewed was divided into incrementalism, *resource allocation process*, *cultural/symbolic process*, and *political/generative process*.

Given the research gap in the context of Malaysia and Private Higher Education, I reported a literature review that relates to these contexts. Most of the literature concerned does not directly relate to *strategy formation*, but is nonetheless highly relevant to this research. The review found that in general Higher Education Institutes in the West do not do enough planning. At the same time, there are studies that showed the importance of *emergent strategy formation* to successful transformation in HEIs. The literature reviewed on management in Malaysia concluded that, due to environmental factors such as lack of information, Malaysian organisations tend to be more emergent than their western

counterparts. Malaysian cultural dimensions such as a relatively high degree of collectivity, a high power distance and a high avoidance of uncertainty may also explain some of the strategy processes employed (Hofstede, 2001).

In Chapter 3, I described in detail the research philosophy, methodologies and methods employed. Factors that influenced the choice of research approach constructed were the research questions and research objectives, approaches used in management research, and my background as the researcher. This research is ontologically relativist, or what some researchers call *subtle realism*. *Social constructivism* informs the epistemology of the research philosophy, while *symbolic interactionism* represents the theoretical perspective. *Ethnography* is the methodology, complemented by the *reflexivity* process. The methodologies were applied using a combination of methods including semi-structured interviews, *template analysis*, analytic *ethnography* and *dialectical inquiry*.

In Chapter 4, I reported the industry context of the research. The Malaysian Private HEI industry may be in a mature stage in the industry life cycle. The stakeholder analysis and SLEPT analysis performed reveals a complex industry, highly regulated and extremely competitive. Private HEIs are consolidating through takeovers and mergers, and Private HEI sizes in terms of student numbers are gradually increasing. There are high levels of change and uncertainties, and the industry is changing from entrepreneurial-driven entities to more corporate groups of multiple campuses. These changing environments could explain why strategy formation processes were employed.

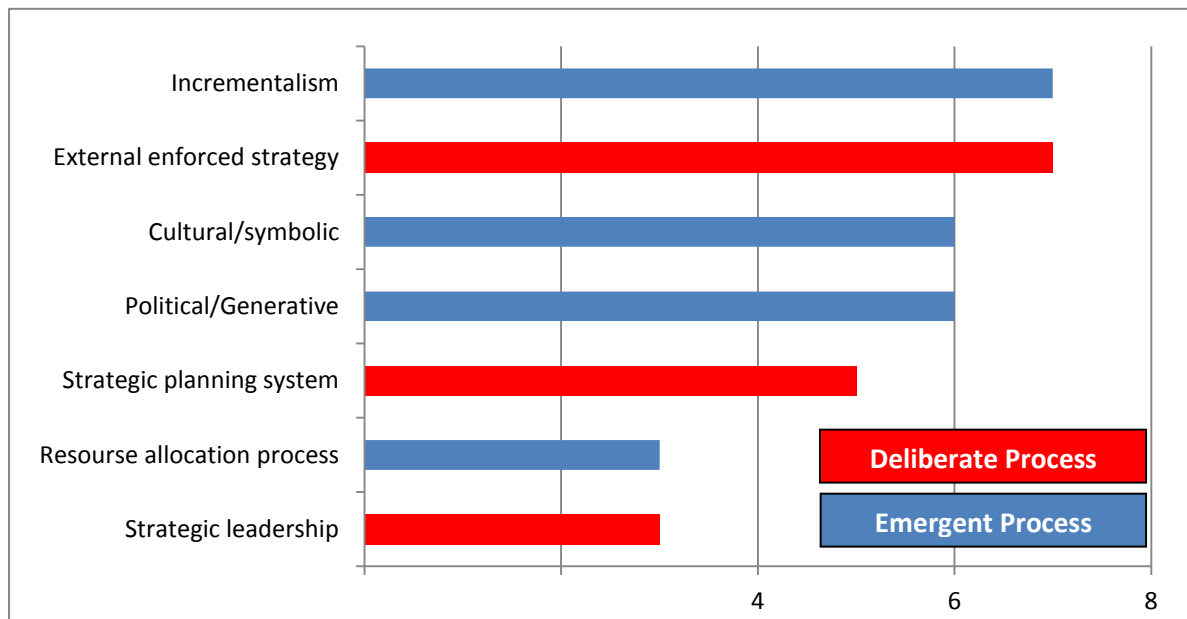
In Chapter 5, I reported and discussed the findings and analysis. The evidence for each *strategy formation* process was discussed and analysed. I also reported the key reasons why these processes were employed and the Interviewees' own perceptions of the effectiveness of the given processes. The evidence gathered also pointed to some criticisms of the processes. The conclusions of the findings and analysis are discussed in the next section below.

6.2 Conclusion Discussion

6.2.1 Research Sub-Question 1 : How strategies are formed in the Malaysian HEI industry?

From the findings in Chapter 5 and analysis attached in Appendix C and Appendix D, Figure 6.1 summarises the presence of *strategy formation* processes found at Malaysian Private HEIs. The figure shows the number of interviewees mentioning each process as influencing to *strategy formation* in their experience. While the number of interviewees is not quantitatively significant, this form of content analysis is nevertheless a valid indicator of how strategy is formed. The analysis involved counting the number of interviewees mentioning each process in Appendix C (for deliberate processes) and Appendix D (for emergent processes). The left 'red' bars indicate *deliberate strategy formation* processes while the 'blue' bars on the right represent emergent processes. This analysis also included some application of quantitative methods – to indicate how widely each process was applied in the industry rather than to increase validity.

Figure 6.1 Analysis of how strategy is formed at Private HEIs (no. of interviewees)



From the analysis above, there is evidence that multiple *strategy formation* processes are undertaken within Private HEIs. This reflects a complex set of capabilities that the industry has invested and employed within each HEI. This integration of multiple capabilities may

give the Private HEIs a competitive advantage (Hart and Banbury, 1998). This is because each process is effective in addressing the different demands of each institution.

In addition, the combination of processes employed spanned across deliberate and *emergent strategy formation* processes. The *strategy formation* processes mentioned a significant number of times (6 and above) were: *logical incrementalism*, *externally imposed strategy*, the *cultural/symbolic* process and the *political/generative* process. There is no evidence that *strategic planning systems* were comprehensively employed. The *resource allocation process* was only found from interviewees with experience at complex multi-campus Private HEI groups. This finding is consistent with Bower's (1972) and Burgelman's (1982) conclusion that this process is designed primarily for multidivisional organisations. The influence of *strategic leadership* has diminished over time as Private HEIs have grown in size. As reported in Table 4.1, the average Private HEI size is about 500 students and average sizes for Private University Colleges and Universities were 4,300 to 6,700 (Ministry of higher Education, 2009a). It was also noted that many of the University Colleges and Universities are main campuses of HEI groups which own multiple campuses (each owning a Private HEI license). The emergence of more of these multi-campus groups and the growing complexity at each campus may increase the significance of the *Resource allocation process* over time.

A common process found from the study was incrementalism, more specifically Quinn's (1978) *logical incrementalism*. The study found that leaders in this industry were very comfortable with this mode of *strategy formation*, citing the need to react to a dynamic environment as a key reason. This conclusion is consistent with study by Ghosh and Chan (1994). External imposed strategy was equally important as the industry deals with the powerful MOHE and MQA as stakeholders.

The *cultural/symbolic* and *political/generative* processes were important influences; furthermore, these two processes may be seen as opposite to each other. The *cultural/symbolic* process encourages more collegiality, which is considered to fit well in what is a highly collective society. The *political/generative* process's influence has been well studied in the West as fitting professional organisations. This combination was proposed by Mintzberg and Rose (2003, p284), who referred to this as 'loose coupling' which allows for the meeting of 'the common interest of collegiality' with 'the self-interests of politics'. The

current collective culture of Malaysians and high power distance may have tilted Malaysian Private HEIs more towards the *cultural/symbolic* process rather than the *political/generative* process – in contrast to the West, where Cohen, March, and Olsen (1972) found that *political/generative* was more significant. However, the greater acceptance of the *political/generative* process among younger interviewees may suggest a future shift towards this process following the example of the West. Therefore, as the older leaders leave the industry, *political/generative* would become a more widely employed process.

Strategic planning systems were highly regarded by the interviewees, but none mentioned the existence of a comprehensive *strategic planning system*. This process was found to be prevalent in Private HEIs with a top-down/centralised/*mechanistic organisation structure*. This is supported by studies by Mintzberg and Waters (1985), and Campbell and Goold (1987), and was empirically proven by Slevin and Covin (1997).

The *resource allocation process* was found in large multi-divisional/campus Private HEI groups. Logically, this process should grow in influence as the industry continues to consolidate and Private HEIs becoming larger. In contrast, the influence of the *strategic leadership* process should decline further as founders/owners/entrepreneurs gradually give up control to allow for more diverse shareholdings.

The combination of *political/generative* and *externally imposed strategy* was also consistent with Gunby Jr.'s (2009). Although his study was carried out in the West on the healthcare sector, the healthcare sector in the US is similar to higher education in Malaysia as both are highly regulated service sectors. This increases the generalisability of this finding. The *strategic leadership* process and cultural mode seemed to complement each other at Private HEIs. In the absence of both these processes, the *political/generative* process became more significant. The effective combination of *political/generative* and *incrementalism* found in Brews' and Purohit's (2007) study was also consistent with the findings above.

In conclusion, the processes that emerged as having the highest influence are: *logical incrementalism*, *externally imposed strategy*, *cultural/symbolic* and *political/generative*. Processes that may grow in importance in the future are the *resource allocation process* and *political/generative*; while processes that may see reduced influence are *strategic leadership*

and *cultural/symbolic*. The various combination of significant processes was also supported by recent integrative studies performed (Gunby Jr., 2009; Brews and Purohit, 2007)

6.2.2 Research Sub-Question 2: How do the approaches employed in the strategy formation fit in the deliberate and emergent continuum?

Figure 6.1 suggests that the Malaysian Private HEI *strategy formation* process is more emergent than deliberate. The emergent processes, especially *logical incrementalism*, the *political/generative* process and the *cultural/symbolic* process have a greater influence than *externally imposed strategy and strategic planning system*. In Section 2.1, I reviewed elements that relate to deliberate versus emergent strategy processes. On the deliberate side, elements include the planning system, and rational analysis *control leadership* type organisations. In contrast, emergent processes include elements such as *incrementalism*, *learning*, *strategic thinking*, and *chaos* leadership type organisations. Section 5.2.1 described findings and evidence that strongly favour the *logical incrementalism* process. This process represents many emergent elements, including incrementalism, *learning*, *strategic thinking* and *chaos* leadership style. The higher influence of emergent strategy formation processes in higher education is coherent with studies on Higher Education elsewhere (Bleiklie and Kogan, 2007; Meister-Scheytt and Scheytt, 2005; Navarro and Gallardo, 2003; Sporn, 1996; Groves, Pendlebury, and Stiles, 1997; Mintzberg and Rose, 2003; Hardy, Langley, Mintzberg and Rose, 1983). This finding therefore increases the credibility of this notion.

In contrast, deliberate processes saw little evidence of comprehensive strategic planning. There was very little evidence of the extensive use of rational analysis within the *strategic planning system* or *externally imposed strategy* processes found. In fact, there were significant criticism with the inadequacy of hard data. *Strategic leadership* relates to *control* type organisation structures – which, also as discussed in the previous section, have seen their influence decline (Cyert, 1990).

At main campuses, the operating core practices externally enforced strategy, the *cultural/symbolic* process, and *logical incrementalism*. At the same time the *resource allocation process* and *political/generative* process were found to have more influence in new ventures/initiatives, subsidiaries and branch campuses where innovation and the entrepreneurial spirit (which includes risk taking) are important elements. Thus, main

campus operating cores tend to practice more *deliberate strategy formation* as compared with new ventures/initiatives, subsidiaries, and branch campuses, which practice more emergent strategy. Note that this is a relative notion between different units within an institution or group (multidivisional institutions). For example, a main campus operating core in an institution that employs highly emergent strategy formation processes as a whole may be more emergent than a joint venture unit from an institution that employs a highly deliberate strategy formation process as a whole.

6.2.3 Research Sub-Question 3: Why are these actions taken? Key reasons behind either deliberate versus emergent actions.

There are many reasons identified that explain why the *strategy formation* processes discussed in Section 5.3 and Section 5.4 were employed. From the template analysis performed, I gathered all the reasons identified and coded from the interview scripts (they were coded on green post-its). I then compiled and categorised them by themes as reported in Table 6.1. I divided the key reasons in this discussion into the MOHE/MQA, uncertainty, leaders' management education and training, information scarcity, and professional bureaucracy. There were also three moderating factors identified that may influence the process used: organisation complexity, routine versus new activities, and cultural dimensions.

At first, the Malaysian Private HEI industry was highly regulated by the MOHE and MQA. *Externally imposed strategy* was focused on compliance in the late nineties to mid 2000s. The focus later switched to upgrading to degree-conferring universities and university colleges; and the next focus may be the quality ratings that MOHE awards. While the main areas of focus may have changed over time, the employment of externally imposed strategy to meet the demands of the MOHE and MQA has not changed.

The industry overview reported in Section 5.1 found that the industry is highly competitive and at the same time unstable. Hannan and Freeman (1989) recommend *externally imposed strategy* when a firm faces unstable and coercive external environments. High competition, imperfect market conditions, and lack of stability contribute to the uncertainty Private HEIs faced which was reported in Chapter 4. Uncertainty was a major reason for the employment of *logical incrementalism* and the *political/generative* process. *Logical incrementalism* was the preferred process to react with sufficient speed to changes and the

political/generative process was used to allow information about environmental changes from the bottom to be taken into consideration in *strategy formation*. Even at the current maturing stage of the industry life cycle, uncertainty is still high. There are still a high number of changes in ownership, new initiatives, new positioning, new branches, new courses, and new joint-ventures. This means uncertainty remains high and demands for speed and ability to access information from the bottom is consequently high. This should encourage *logical incrementalism* and the *political/generative* processes in order to reap the benefits of speed and bottom-up strategy generation. Uncertainty was also mentioned by one interviewee as the reason that strategy planning was employed. The specific planning tools mentioned belong to the contingency approaches reviewed in Section 2.2.1.4. As such, the link between the comprehensiveness of strategic planning and uncertainty, studied by Armstrong (1982) and Fredrickson and Mitchell (1984), was not conclusively supported in this study.

The management training and educational background of Private HEI leaders also influence the choice of *strategy formation*. There were two sub-factors identified in the findings. First, Section 5.1.1 found that several interviewees had experience at Public HEIs and Public Sector Schools, which meant they were used to an *externally imposed strategy* governed by the MOHE and hence naturally tended to favour this process. A second factor is that the *strategic planning system* was identified as an influencing process by Interviewees that had business or management degrees. This is a case of leaders practicing what they have studied and learned.

The scarcity of available information in Malaysia makes *strategy formation* using detailed rational analysis difficult (Haley and Tan, 1996). At the same time, in a service industry which deals with social interactions, the use of soft-data and intuition by experienced managers is useful (Haley, 1997). Information and experience are difficult to measure with KPIs, as found from Section 5.1.2. Therefore, this reason encourages the use of the *political/generative* process, *cultural/symbolic* process and *resource allocation* process.

The nature of the Higher Education sector's professional bureaucracy fits with the *political/generative* process (Cohen, March, and Olsen, 1972). Negotiations, bargaining, and compromise are effective processes for highly educated academic employees. Mintzberg and Rose (2003) assert that "universities best fit the model of the 'professional

bureaucracy”’. Professionals have control of their work and work independently, while bureaucracy is achieved from training and the internalization of a set of procedures (cultural process). Empowerment and autonomy were mentioned as factors where interviewees thought their organisations could perform better (Section 5.2.2; Section 5.2.4). The link between the *political/generative* process and professional organizations is supported by studies by Lavarda, Giner, and Bonet (2009).

Taking into account all the above, Table 6.1 below summarizes the reasons that affect the choice of strategic formation processes. The table explains the reasons why a given strategy formation was employed. Institutions facing these circumstances can then employ the related process/processes listed.

Table 6.1 Summary of the influencing reasons of the strategic formation

Reasons and related literature	Related Strategy formation process
MOHE and MQA (Hannan and Freeman, 1989)	Externally imposed strategy
Uncertainty (Quinn, 1978; Gunby Jr., 2009; Armstrong, 1982; Fredrickson and Mitchell ,1984)	Logical incrementalism Political/generative process Strategic planning system
Management training and education of leaders	Externally imposed strategy Strategic planning system
Scarcity of information (Haley and Tan, 1996)	Political/generative process Cultural/symbolic process
Professional bureaucracy (Cohen, March, and Olsen, 1972; Lavarda, Giner, and Bonet, 2009)	Political/generative Cultural/symbolic

From the same data and analysis of reasons behind the employment of each strategy formation process (reported in section 5.3 and 5.4); I found three moderating factors that may influence the choice of *strategy formation* process employed. The first factor is organisation complexity. The link between firm size and the comprehensiveness of strategic planning was well studied and proven by Brews and Purohit (2007) and Pfeffer (1982). However, the study found planned and coordinated strategy implementation (Mintzberg calls this strategy programming) increase with firm size, and not formation. When it comes to the strategy formation, evidence from this study found that the larger institutions favour the

political/generative process and *resource allocation process* due to organisational complexity. Organisational complexity is particularly evident in multi-divisional and multi-campus institutions. Complex organisations also result in reduced influence from the *strategic leadership process*, as the strategic leader cannot closely control all divisions and campuses. This study showed that interviewees increasingly favour the *resource allocation process*, *political/generative process* and *cultural/symbolic process* as the organisational complexity of their Private HEI increases. Bower (1972) and Burgelman (1982) noted that the *Resource allocation process* was designed to fit complex organisations.

A second moderating factor is core operating divisions at main campuses versus branch campuses and new ventures. Main campuses and single campus institutions, where most of the pioneer staff were located, tend to have their *strategy formation* influenced more by *strategic leadership* and *cultural/symbolic processes*, in contrast to subsidiaries, branch campuses, joint ventures, and new ventures. At subsidiaries, branch campuses and joint ventures, where Campbell's and Goold's (1987) *financial style control* structure was found, the influence of the *resource allocation process* and *political/generative processes* was more pronounced. Within each campus, the operating core, which might include routine activities such as teaching and learning, marketing, finance, and operations, favours more *deliberate strategy formation* processes such as *strategic planning systems* and top-down command. These findings are also consistent with some of the literature reviewed linking planning with routine activities (Kanter, 2002). At the opposite end, new initiatives, new branches/locations, new faculties, and joint ventures favour *emergent strategy formation* such as the *resource allocation process* and *political/generative process*, with elements of entrepreneurial spirit and chaotic organisational systems. The above conclusion is consistent with study by Nadler and Tushman (1986) where new strategy emerge separated from day to day activities. This conclusion was also consistent Liedtka (2000) and Hamel (1996) found that planning stifles innovation, which is required at new ventures and subsidiaries, therefore supporting *emergent strategy formation* processes.

Lastly, the cultural dimensions of Malaysia and Malaysians extensively influence the strategy processes they employ. According to Hofstede (2001), Malaysia is a collective society. Participation and agreements have to be garnered from the operating levels to win commitment for smooth implementation. These collective cultures favour *cultural/symbolic*

processes over more impersonal *strategic planning systems*. Collegiality among staff is typically high at all levels, as was evident from Interviewee 2 in particular. These relationships in many instances span across departments, faculties, and campuses, allowing the *cultural/symbolic* process to be employed with less conflict. Interactions happen naturally, involving professionals with a wide range of interests and expertise rather than strictly by divisions and departments. This notion was supported by studies by Hardy, Langley, Mintzberg, and Rose (1983). In contrast, Malaysians' high power distance and high avoidance of uncertainty is an impediment to the employment of the *political/generative* process (Hofstede, 2001). This factor pushes back the process in favour of deliberate planning *strategy formation*, mainly in the context of strategic planning systems.

Table 6.2 below summarises the moderating factors influencing the choice of *strategy formation* processes.

Table 6.2 Moderating factors that influence specific strategy formation processes

Factor	Influencing strategy formation processes
Main Campus vs. Subsidiary/branch	<i>Cultural/symbolic and strategic leadership</i> Resource Allocation Process
Multidivisional organisation vs. Simple and small organisation	Resource Allocation Process and Political/Generative <i>Strategic leadership</i>
Collective culture vs. High power distance/High avoidance of uncertainty	Cultural/symbolic Strategic planning system

In conclusion, both Table 6.1 and Table 6.2 explain reasons and factors influencing the employment of certain strategy formation processes. The difference between the tables is that Table 6.1 lists reasons, whereas Table 6.2 lists moderating factors with the reasons put into dialectically opposing dimensions.

6.2.4 Research Sub- Question 4: From the industry leader's perspectives, are these actions effective in meeting their strategic objectives?

For most Malaysian Private HEIs, the main strategic objectives are to grow student numbers while balancing the needs of all stakeholders described in Section 4.3. Starting with the most influential processes, the study found that interviewees were comfortable with *logical/incrementalism*, which they viewed as an effective process to react quickly to uncertainties and changes. This process allows flexibility to respond to new situations and information. It also supports new ventures and projects, where knowledge and experience is built incrementally. This is consistent with Ghosh's and Chan's (1994) conclusion for companies in the country. The study also found that the *externally imposed strategy* process was highly effective and important in meeting organisations' objectives.

The study found that *cultural/symbolic* process was effective in encouraging collegiality and team spirit. It proved effective in generating the use of informal discussions which allowed soft data and intuition to be harnessed. This process also fits well with the collective culture of Malaysians. However, there were at the same time some criticisms voiced of the *cultural/symbolic* process, where some institutions were found to be unduly anchored on their historical experiences and cultural identity. Key criticisms were the difficulty for talents from other backgrounds to flourish in and contribute to the institution, and resistance to change.

As for the *political/generative* process, the evidence showed that it is perceived as able to generate more effective strategies (meaning strategies that result in higher profitability, sales growth or stock prices). However, the study also pointed up several possible pitfalls in this process, notably pervasive politics and difficulties in implementation, as Malaysians are culturally collective and have a high power distance (Hofstede, 2001).

Some leaders conveyed high regard for *strategic planning systems*, especially as these processes increase coordination. They expressed the view that they would like to have more resources and capabilities for rational analysis, planning and decision-making. This includes *SWOT* analysis, market segmentation, competitor analysis and comprehensive Key Performance Indicators (KPIs). However, I also found many criticisms of *strategic planning systems*. These were listed in Section 5.1.2.2, and were strongly backed up by the literature reviewed. They include the difficulty of dealing with uncertainty, reduced commitment from line managers, inaccurate KPIs, and scarcity of information for rational analysis.

The *resource allocation process*, with the empowerment it gives to middle managers, also seemed to be perceived as effective. The need to feel and understand what is happening 'in the field' was seen as a very important factor for success. This was more apparent for leaders with experience at new ventures and on branch campuses. There was high appreciation for the autonomy entrusted to middle managers under the *resource allocation process*. Lastly, the study did not produce any significant findings pointing to the effectiveness of the *strategic leadership process*. In fact, only three interviewees (Interviewee 1, 5, 8 from Appendix C) mentioned this process being employed.

6.2.5 Summary of Conclusions

6.3 Conclusion of the study in terms of deliberate versus emergent strategies

	Deliberate Processes	Emergent Processes
Processes that was most frequently employed (Figure 6.1)	Externally Imposed Strategy Strategic planning system (identified by only 5 of 8 interviewees)	Logical Incrementalism Cultural/Symbolic Political/generative
Reasons for employing such process (Table 6.3)	MOHE and MQA Management training and education of leaders	Uncertainty Scarcity of information Professional bureaucracy
Moderating factors (Table 6.2)	Main Campus	Subsidiary/branch
	Simple/small organisation	Multidivisional Organisation
	High power distance/High Avoidance of uncertainty	Collective culture
Effectiveness due to (Section 6.2.4)	Increased coordination, efficient use of resources	Flexibility/fast reaction to uncertainty Used of soft data and intuition Empowerment

Table 6.3 summarises the findings, analysis and discussion of the study. The table lists processes that was most frequently employed (research Sub-question 1), reasons (research sub-question 3), moderating factors (research sub-question 3), and effectiveness (research sub-question 4), divided into deliberate and emergent strategy formation processes.

For processes most frequently employed, the list was summarised from Figure 6.1, Appendix C, Appendix D and Section 6.2.1. The only significant deliberate strategy formation process was externally imposed strategy. Emergent strategy formation frequently employed were *logical incrementalism*, *political/generative* and *cultural/symbolic* processes. Therefore, leading to the conclusion that *emergent strategy formation* is more widely practiced in the industry than *deliberate strategy formation*. The analysis also shows that that Private HEIs have the capability for and actually apply multiple *strategy formation* processes, which is supported by Hart and Banbury (1994). The study found that potentially increasing influence of the *political/generative* and *resource allocation process* in the future, and the likely decreasing influence of *strategic leadership*. These trends were drawn from the trends observed in the external environment and changes in the moderating factors. Therefore, further studies developing on political/generative and resource allocation process is recommended.

The second row in Table 6.3, lists the reasons for deliberate strategy formation and emergent strategy formation, the information was extracted from Table 6.1. Reasons for deliberate processes were, the MOHE and MQA as a powerful stakeholder and management training and education of the leaders. Scarcity of information, uncertainty, and Mintzberg's (1979) 'professional bureaucracy' were found as reasons for emergent strategy formation processes.

Followed by third row, lists the moderating factors divided into deliberate strategy formation and emergent strategy formation. Three moderating factors that could influence the types (deliberate or emergent) of *strategy formation* processes were institution level (main campus versus subsidiary/branch), institution size and complexity (small/simple versus multidivisional), and organisation culture (collective versus power distance and avoidance of uncertainty).

Lastly, in the last row, summarises Section 6.2.4 listing the effectiveness of deliberate strategy formation and emergent strategy formation identified in the study. Deliberate processes increase efficiency through coordination. Emergent processes were effective because the processes allows flexibility/ability to react with speed, the use of soft data and intuition from the bottom of the organisation, and empowerment.

6.3 Implication for Professional Practice

The study not only suggests which *strategy formation* processes can be effectively applied in the given context but also points up the potential pitfalls of some *strategy formation* processes. Below are several implications I have drawn for professional practice for leaders in various areas. I divide this discussion into Malaysia Private Higher Education managers, Higher Education leaders in general, and managers operating in Malaysia.

Firstly, for Malaysian Private HEI leaders, the implications are:

- Strategic planning was highly regarded by interviewees, but the study did not find evidence of a comprehensive *strategic planning system* being successfully employed. The evidence includes the various criticism of strategic planning found in section 5.1.2.2. They are inability for strategic planning in handling uncertainties, reduced commitment by line managers, inaccurate hard data measurements, and a lack of information for rational analysis.

This implies that strategic planning was not effective or was difficult to employ in this context. Strategic planning should be employed to complement other strategy formation processes. The system should not be comprehensive given the criticism and difficulties identified. However, Private HEI leaders must not confused strategy formation and strategy implementation. The implications from this study were specifically on strategy formation and not implementation.

- *Emergent strategy formation* was clearly preferred over deliberate planning *strategy formation*. The employment of *logical incrementalism* was viewed as an effective means of dealing with the uncertainty the industry faces. Vision and institutions were use to direct the institutions in this *logical incrementalism* process, rather than strategic plans.

Malaysian Private HEI leaders should invest in employing various emergent strategy formation processes. Elements that should be encouraged include bottom-up strategy contribution (chaos), logical incrementalism, and learning.

- The study concluded that the *resource allocation process* and *political/generative* process may see their influence increase in the future. Malaysian Private HEI leaders may wish to learn and invest in these *strategy formation* capabilities. Resource allocation process was effective at multidivisional institutions. Leaders at these institutions should employ this process rather than exerting control through more comprehensive strategic planning systems.

- *Externally imposed strategy*, influenced notably by the MOHE, was very important. However, a shift of focus from compliance to upgrading of status was observed. In the future, MOHE quality ratings may become an important focus for the industry. For Malaysian Private HEI leaders, focusing and investing on factors measured in this rating system could be important.
- There are potential pitfalls and difficulties to *strategic planning systems* and the *political/generative* process, which Malaysian Private HEI leaders need to be cautious about when considering employing these processes. The pitfalls should not act as a deterrent to implementing these processes. The pitfalls should help leaders identify potential issues to overcome during the employment of these processes. For example, the negative effects from conflicts in political/generative process could be balanced with cultural/symbolic process where collegiality was a key element. In addition, having a highly individualistic and low power distance team members may make implementing political/generative process difficult.

For Higher Education leaders worldwide, although the research approach lacked generalisability, the study found the following implications that needed to be further developed:

- The study agreed with the predominant view in the literature reviewed for Higher Education in the West, that the sector lacks strategic planning processes (Amaral and Magalhous, 2001; Pendlebury and Stiles, 1997; Conway, Mackay, and Yorke, 1994). However, the study disagreed with several studies which recommend strategic planning for the sector (Cullen, Hassall, Joyce and Broadband, 2003; Machado, Taylor, Farhangmehr and Wilkinson, 2005; Groves, Pendlebury, and Stiles, 1997; Conway, Mackay, and Yorke, 1994; Meyer, 2002).
- The study recommends the employment of emergent strategic formation processes, which are supported by a study by Buckland (2009). The study recommends that emergent strategy processes, including *logical incrementalism*, *cultural/symbolic*, *political/generative*, and *resource allocation* processes (for complex institutions). These recommendations are consistent with the conclusions where emergent strategy formation processes were favoured over deliberate at HEIs in the countries in the West (Bleiklie and Kogan, 2007; Meister-Scheytt and Scheytt, 2005; Navarro and Gallardo, 2003; Hardy, 1991; Poole, 2001a, 2001b; Sporn, 1996; Groves, Pendlebury, and Stiles, 1997; Mintzberg and Rose, 2003; Hardy, Langley, Mintzberg and Rose, 1983).

Lastly, the implications from this study for *strategy formation* in Malaysia:

- Malaysia's cultural dimensions, described by Hofstede (2001) as highly collective, high power distance and high risk aversion, have influenced *strategy formation*

processes. The highly collective culture supports the effectiveness of the *cultural/symbolic* process, while the high power distance may make bottom-up processes such as *political/generative* and *resource allocation process* difficult to employ.

- The study found high acceptance for *logical incrementalism* in order to face uncertainty. Malaysian managers prefer to react to environmental changes in shorter term horizons rather than through inflexible planning. This notion is supported by studies by Hashim and Zakaria (2007) and Ghosh and Chan (1992).
- The study also found that, due to information scarcity and the unstable environment, intuition and soft information were commonly used rather than comprehensive rational planning and analysis. This notion is supported by Haley and Tan (1996), Haley (1997) and Hashim and Zakaria (2007).

Practitioners can learn from these implications and use them to practice *strategy formation* at their institutions/companies with higher confidence and credibility.

6.4 Theoretical Contributions

The debate between advocates of strategic planning and *strategy formation* with more emergent elements such as incrementalism and *learning* has been ongoing since Mintzberg's and Water's 1985 paper. More recent studies, instead of arguing the two sides of the debate, have tended to focus on a more integrative approach (Anderson, 2004a, 2004b; Brews and Purohit, 2007; Lavarda, Giner, and Bonet, 2009; Gunby Jr., 2009). These studies focus on finding specific or a combination of deliberate and *emergent strategy formation* processes that may lead to higher performance. In this study, the notion of integrative strategy formation emerged when every interviewee mention more than one employment of strategy formation process. The employment of *emergent strategy formation* process are *logical incrementalism*, *cultural/symbolic*, and *political/generative*, were combined with employment of *deliberate* process notably *externally imposed strategy*. Below are some theoretical contributions to *strategy formation*, the integrative approach, and strategy research approach, methodologies and methods.

- The study supports Hart and Banbury (1994) finding that employing multi dimensional strategic formation processes is effective. Therefore, past studies of linking performance to single dimension of *strategy formation* process may be flawed. *Strategy formation* research taking the integrative approach is recommended. Combinations of processes that could complement or substitute each other have to be taken into consideration in future research.
- Many integrative approach studies follow Hart's (1992) five dimensions and Bailey's and Johnson's (1996) six dimensions. The present study employed seven dimensions. Adding more dimensions enhances the understanding and reliability in *strategy formation* research. This is realised through a more specific measurements and division of the various dimensions. For example, *political/generative* and *resource allocation process* both means bottom-up strategy making involving participation from all organisation members. However, the key element of *political/generative* process is bargaining and negotiation, while *resource allocation process*' key element is from the way resources are allocated. This increase level of division is also was also was suggested in Lofland's (1995) analytical ethnography (under developed treatment) described in Section 3.3.2.1.
- Most integrative studies reviewed take the positivist approach of using surveys (Andersen, 2004a;2004b; Brews and Purohit, 2007, Gunby Jr., 2009; Lavarda, Giner, and Bonet, 2009). Sminia (2009) notes the absence of post-modernist approaches to *strategy formation*. The author advocates that *strategy formation* research should

focus on 'how' and 'why' rather than aiming to prove causality. The present study uses a unique post-modernist approach, where *ethnography* and *reflexivity* methodologies were employed. It therefore breaks new ground in terms of research methodology and methods for *strategy formation* research.

- McKiernan (1997) mentioned that strategy research is dominated by American and European researchers and Pettigrew (1985a) believed that contextualism is a very important consideration in *strategy formation* research. The present research increased the transferability of *strategy formation* theories developed in the West. The unique findings from a context never researched before (Malaysian Private HEI) supports Sminia's (2009) notion that no single *strategy formation* approach fits every industry or country.
- One notable contextual contribution was how cultural dimensions influence *strategy formation* in Malaysia. The fact that Malaysia is a highly collective society may increase the effectiveness of the *cultural/symbolic* process. In contrast, Malaysia's high power distance dimension may be an impediment to the effectiveness of the *political/generative* process.

There are two other theoretical contributions that require further development to increase credibility and generalisability. They are:

- At multiple campus institutions, autonomy is given to each of their campuses or divisions, especially if the campus' or subsidiary's programmes are different from the main campus. This suggests the influence of resource allocation process at multi-campus institutions over strategic planning system.
- All interviewees mentioned that political/generative process was employed at their institution with the exception of two oldest interviewees, both over 65 years old. This indicates that political/generative could increase in influence as young leaders take over leadership positions. Further studies to verify this and understand why would be significant knowledge contribution.

From the theory development standpoint, the study supports the development towards integrative strategy formation approach. However, all previous studies on integrative approach, with exception to Canet-Giner, Fernandez-Guerrero, and Peris-Ortiz (2010) took the positivist approach and quantitative methods, measuring strategy formation processes based on pre-determined dimensions. This study developed an alternative qualitative methods and took constructivist epistemological approach, that resulted in new discovery and deeper understanding. These results will otherwise be unattainable if the positivist approach was taken.

6.5 Research Reflections

6.5.1 Implication for Future research

To further increase generalisability, internal reliability, and external reliability, a positivist approach to empirically test the effectiveness and ineffectiveness of different strategy approaches on firm performance could be performed. This research approach with high originality could also be taken on *strategy formation* research in new contexts. The approach's advantage is that it helps understanding how *strategy formation* process was practiced and why. Understanding how and why is a strong pre-cursor for subsequent empirical studies to proof causality. Jumping into unique context with measurements(surveys) developed in the West could end with researchers measuring the wrong process(how) or factors(why).

Past researches were mostly either empirical surveys or longitudinal case studies. My research approach, which access to information in many institutions, result in a higher degree of transferability within the context researched than a single longitudinal studies. Therefore, the methodologies and methods could be further developed to enhanced transferability.

As this research takes a post-modernist approach, its findings are open for revision and new discoveries. Future research allowing for other methodologies and methods could further add to or reject some of the findings reached. Future research could also be replicated in other industries in Malaysia or in Higher Education sectors in other countries. When a stage is reached where multiple qualitative studies on *strategy formation* are available, meta-ethnographic analysis can then be performed to achieve interpretive synthesis (Byman, 2008).

I used seven dimensions compared to the widely used five (Hart, 1992) and six (Bailey and Johnson, 1995). Measurement systems could be developed for quantitative studies to be performed on these dimensions. Empirical studies could then be developed and performed to increase the reliability of the findings. This could enhance the measurements developed by Bailey and Johnson (1995).

Last, the study of strategy implementation. Much of the research data collected relates to information on strategy implementation rather than formation (formulation and action). I

have tried hard not to let implementation topics affect my focus on formation. To further enhance the conclusions of this study on *strategy formation*, future research on strategy implementation issues could enhance both knowledge and professional practice. Among the issues identified that relate to implementation are centralisation versus decentralisation, information systems, and project management.

6.5.2 Personal Development Reflection

This DBA journey has enhanced many dimensions of my personal development. Firstly, I discovered that I am a constructionist and not an objectivist. This self-actualisation discovery has enhanced my approach to understanding social interactions and problem solving. As a positivist trained economist, this research process has made me more comfortable with qualitative research approaches. From a rational thinker that always seeks quantitative evidence and causality, I now also value soft data, intuition and subjective interpretations.

Having to juggle producing a DBA with managing a Private HEI, teaching part-time, paying attention to my small family of four, and my ambition to complete a full 'ironman' race by the end of this year, has greatly increased my discipline. Lastly, this process has helped me appreciate and understand business research contributions and publications.

6.5.3 Professional Development Reflection

As a Private HEI leader who teaches strategy, the process of producing this DBA thesis greatly enhanced my knowledge in areas which complement my various years of professional experience in strategy. In the process, I have also enhanced my personal network of researchers and lecturers at Northumbria University and in the Malaysian Private Higher Education sector (notably my interviewees). The findings of this research have given me a better understanding not only of how to manage a Malaysian Private HEI, but also of the contexts in Malaysia and in Higher Education. I now understand why the introduction of a comprehensive *strategic planning system* at the Private HEI I previously worked at, failed. Having been trained in and applied strategic planning approaches at General Electric and BCG, I now have greater understanding and appreciation of *emergent strategy formation* processes, their advantages, and their applicability. In some ways, I have become an

advocate of these processes. All the professional developments above should enhance the management of the Private HEI I now lead.

Notes

1. Total enrolment at Private University Colleges and Private Non-University HEIs in 2009 was 87,055 and 191,125 respectively. Five of the 20 private universities listed are fully private (the International Medical University, UCSI University, and Limkokwing University, Management and Science University, Malaysia Science and Management University). Average size 6770. There are also two branch campuses of UCSI University, average size 2,450. (Source: Ministry of Higher Education, 2010a)
2. In the first paragraph, the phrase 'Like you said' may mean that I have influenced the interviewee. However, I was merely responding to a question addressed earlier by the interviewee. The interviewee found agreement with how I have answered and his point put forward was these KPIs could not measure the soft data.

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Appendix A: Sample of an Interview Guide

DBA RESEARCH INTERVIEW GUIDE

Dear, thank you for agreeing to my request to participate in this interview.

This interview, which I expect to be no longer than 90 minutes, is part of my research for my DBA dissertation at Northumbria University. The research topic area focuses on a strategic management topic within the context of Malaysian Private Higher Education Institutes.

The interview is semi-structured for you to express yourself freely, guided by my questions and further probes.

Your identity will remain completely anonymous. It will also be completely confidential and be used for the purpose of this dissertation only. The research does not seek any confidential or sensitive information regarding the organization you are working at or were previously at, rather your experiences, knowledge and perception concerning managing Higher Education Institutions.

You are not obliged to answer any question that you do not wish to, and may terminate the interview at any time. This interview is recorded and you may, at any point, request any sections to be deleted.

The interview will be transcribed by a Mr Lee Soong Sern, and a draft copy of the transcript will be passed to you for verification and approval before the data is analysed.

1. Can you briefly describe the experiences you have had in the Higher Education Industry?
How long have you been in the industry?

2. Can you explain your strategic objectives? How do you formulate this? Why?

3. What are your experiences in relation to the strategy planning? How did you involved in the process?

What are they?

4. Strategic planning systems? Have you seen this in your experience?

Are they useful exercises?

Are the plans closely followed? Are frequent changes allowed? Do you think changes should be allowed? Why?

5. Are these actions effective in meeting your strategic objectives?

Appendix B: Interview Questions (Interview 6 and 7)

1. How much influence is your strategy influenced by the MOHE and MQA? Is the influence more or less in recent periods compared to before?
2. How do you view strategic planning systems? Systems with a powerful strategic central planning department?
 - a. Do you need more as you grow in size?
 - b. Do you view this as vital for coordinating activities like procurement?
 - c. Is it effective against uncertainty?
 - d. How much influence of a strategic leader (founder, CEO, Chairman) onto a Private HEI's strategy? Has it increase or reduced over time?
3. Do you prefer making plans and execute the plans or react incrementally to the environment and changing the directions often?
4. How much autonomy does the Chief Executive of a Campus or Dean of a Faculty in influencing the strategy making process at HEIs you have worked in?
 - a. Do the Chief Executive or Dean involved operating level staff, i.e. lecturers and officers into influencing the strategy making?
 - b. Do you think this is effective? Why?
5. How much was the Private Higher Education Institution's strategy influence by the organisation's culture?
 - a. Can you provide an example any taken-for-granted cultural elements that are embedded into the strategy?
 - b. Does culture have more influence to strategy at the main campus versus the branch and satellite campuses?
 - c. Is an effective mode of strategy making?
6. How important is strategy making involving bottom-up approach and strategy making emerge from negotiations and bargaining.
 - a. Are there differences in how from the operating core (key functions) as compared to new ventures, projects, and initiatives?
 - b. How are these forms of strategy making process effective?

Appendix C: The Framework of Evidence of Deliberate Strategy Formation

(Shaded cell indicating most significant process)

	Externally Imposed Strategy	Strategic planning System	Strategic leadership
Interviewee 1	‘In short its call MyRA. So this is an instrument used by the ministry of higher education to measure the performance in research among the education providers. So, in the instrument, it mentioned all the KPI, the sub-KPI, examples like quality of research, quantity of research, innovation. Basically the formulated strategy is built on achieving all these.’	‘I was appointed to chair a senate committee. The senate committee is call strategic planning committee. So it basically looks after all the strategic plan including formulation, implementation of the whole university college strategic plan.’	‘Important (strategic leadership process), but reduced over time as most players are shifting from founder-focused to professional team focused when they grow’
Interviewee 2			
Interviewee 3	‘There is a set of laws for you to follow. You need to comply with it. Otherwise you will be subjected to penalty.’	‘. What we did was I was putting out a 5 year road map of how this college will do. The road map will say that 5 years times, how are we going to get in student numbers and what are the income we will likely to get, and how is the cash flow.’	
Interviewee 4	‘Compliance is one of the strategies. You have no choice. Why. Because they will withdraw your license or they will take away your	‘Any good manager will have a system of constant review. Review on your target, review with your staff. You talk to your senior	

	accreditation and you don't get students. Your staff also will start to leave. They will kill you. So that one is extremely important so there is no choice, compliance and it is a good strategy to comply.'	staff, your middle management staff, what's happening because if you don't see the growth, you have to find out why. So you can have a big management system or middle size or small.'	
Interviewee 5	'Definitely it affects it to a certain degree (Influence of MOHE and MQA). I would say, some of it is positive in the sense that MOHE is trying to raise the bar in term of the research capability and the output of the university.'		'I think one of the things which the founder, when he was running the university, very good at identifying niche area that he can occupy. And once he identified the talent who are able to run this programme. He basically gave them a pretty free hand in terms of trying to carve out position for themselves in this market.'
Interviewee 6	'We are expanding simply because; we are very fortunate in a sense that because the government is all into the service industry. And hospitality and tourism is part of the service industry.'	'As my business orientation is more on the external environment. Looking into opportunities. And mostly, I identify opportunity and I capitalize on it. . . . I also look at threats to be honest . . . I'm very aware, very conscious about threats. And I will take every precaution method to minimise it.'	
Interviewee 7	'But in the end of the day, all these departments during the discussion have to take into account MQA		

	requirements.'		
Interviewee 8	'That is when where we thought, okay, there is PTPTN, so we approach PTPTN and convince them that this is the way to go. And with the PTPTN assistance, that is how our programme mushrooms. That is where the others follow suit.'	'.. it start off with a very deliberate strategy. where we study the environment. We plan the strategy that is most suitable. But when we do this, we don't just do it qualitatively. We actually, most of our things are measurements; where we see figures and numbers.'	'in terms of decision making, or in terms of distribution of resources and so forth, the decision is always from the top down. How much he wants to give and that's it. What kind of strategy you want to do, top down again. Everything is top down.'

Appendix D: The Framework of Evidence of Emergent Strategy Formation

(Shaded cell indicating most significant process)

	Incrementalism	Resource Allocation Process	Cultural/ Symbolic	Political/ generative
Interviewee 1	'I mean to be practical, a lot of times you need to fine tune on the way.'		'Culture is influential in strategic management'	'strategy making involving bottom-up approach and strategy making emerge from negotiations and bargaining is important'
Interviewee 2	'When things don't work out, we will sit down again informally to discuss changes that have to be made. This is OK as we based our previous decision on soft data.'	'The thing that comes from the corporate is that they say that 'We have work with this university', full stop... So it's up to us. An example is we started with one programme call BABA at that time. Then we say hey something is missing, and then we have the marketing. And then we expand it to finance then accounting. So in that stance, it grew from something. So for the corporate, they decide to work with whom. We as a school will fit in with the programme or even the subject	'I mean the team that we are working, 4 of us; we were comfortable in the sense that, I think at the end of it we have the same philosophy on what higher education should be. We felt that it is not only just passing the grades. We felt that there is more like how to help them to build some character. I think that is, have the same objective, you know, not only to pass knowledge but to other elements of education.'	'it's like sitting down with the dean and we will just brainstorm. We look at what has happened. As the college is always number driven, so we were just saying is this a marketable programme or do you think there is a market for it. So it's like brainstorming and bouncing ideas out, one another'

		of the programme.’		
Interviewee 3	‘then our roadmap is changed. So the roadmap is not a dead thing. It is evolving all the time.’			‘So we will call them in, have a chit chat, tell them “Oh, although the forecast is 15%, you cannot based on last year 6 students, you forecast 15% so its 8 students. “Cannot! Your programme cannot run.” Last year we got this figure because we didn’t do so well. We must bring it to be about 25%. So we discuss which we will eventually come to an agreement.’
Interviewee 4	‘. The moment your enrollment is finished for this semester, you start your next semester exclusion. So because of the competition, you keep on making adjustments. This semester, my target didn’t achieve. Why? Then you analyse; to fulfill this one, I must make good what I have missed then you put more resources.		‘... because you are dealing with people. You are dealing with humans, and it’s a service industry, and you have to use whatever that concerns human values, everything that is human in your operations. Some you use more often, some you use less often but you have to use it. And, you have to be sensitive. ‘	

Interviewee 5	<p>‘There wasn’t any white paper that was table as to why we have this programme at the first place. But I understood why my dean wanted to have this programme and we develop our strategy along the way in terms of getting adjunct faculty of programme; in terms of trying to draw out the course content to submit to the MQA; in terms of marketing strategy as well. We just went along and learn on the job so to speak.</p>	<p>‘it’s only something that my faculty will do because we are small and we also have the buy in from the senior management within the university to allows us to do something like this because of the specialise nature of our programme.’</p>		<p>‘What we’ve tried to negotiate is to have a separate kind of advertisement strategy which includes not just placing standard ads about program but also trying to feature the faculty and the programs being something quite unique.’</p>
Interviewee 6		<p>‘once you have the right people, you have to give them the resources; you have to trust them that they are able to manage it. Because it is a Theory Y, it is no longer Theory X.’</p>	<p>‘The ----I’s culture, I think, I can reveal, despite the fact we are not in the circle, we can see the spirit. It is there. We have to admit. Despite the fact some of the bosses, they have their own cronies, but it happens everywhere’</p>	<p>‘It is about empowerment. Empowerment is giving the right to direct people to choose company’s objective.’</p>
Interviewee 7	<p>‘There are so much uncertainty, if there is so much</p>		<p>‘It’s just that ---- is founded by somebody is</p>	<p>‘I prefer . . . Initiative, freedom, and really respect talent’</p>

	uncertainty then what then what strategy can you think of? You have a certain basic plan but after that most of it is muddling through. I mean this is what I think.'		Chinese speaking. So you find that the philosophy is strong. ... Because this is a strong culture of the Chinese educated. They form a clique to their own you know. '	
Interviewee 8	'From the measurements that we have, we get the report and we see how it goes. And then we will come out with new strategies, okay. How we can improve on what it is happening. And which one to discuss, which one to go in.'		In terms of organisation culture, it is very thick in ----I. So there are rules and regulations, there are values and ways things are run is always based on what is already accepted in practice although there are, as you are aware, some culture are explicit, some are implicit. Explicit and implicit, for all the staff that is there, they basically know what to do.	